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**No. 392**



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20 October 1983

## CHINA REPORT ECONOMIC AFFAIRS

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### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

Discussion of Substitution of Taxes for Profits (Zou Chuanjiao; JINGJI WENTI TANSUO, No 6, 20 Jun 83) ....	1
GUANGMING RIBAO on Controlling Investment (Zhong Zhaoxiu; GUANGMING RIBAO, 18 Sep 83) .....	9

##### ECONOMIC MANAGEMENT

JINGJI GUANLI on Chongqing Pilot Economic Reform (Bo Yibo; JINGJI GUANLI, No 8, 5 Aug 83) .....	15
Aspects of Responsibility System in Enterprises (Wang Jue; GUANGMING RIBAO, 4 Sep 83) .....	22
Initial Results in Making Up Deficits, Increasing Surplus Claimed (Chang Fengming; SHICHANG ZHOUBAO, 19 Jul 83) .....	31
RENMIN RIBAO on Classifying Material Production (Song Zexing; RENMIN RIBAO, 16 Sep 83) .....	33
Interprovincial Economic, Technological Cooperation Launched (Lin Mingkan; FUJIAN RIBAO, 3 Jul 83) .....	40
Production of Marketable Products Increases (WEN HUI BAO, 3 Jul 83) .....	42
Technical Reform of Machine-Building Industry (Zhou Jiannan; JINGJI GUANLI, No 9, 5 Sep 83) .....	44

## FINANCE AND BANKING

Savings Deposits of Rural, Urban Areas Reported (Yao Kaiqi; JINGJI RIBAO, 23 Jun 83) .....	50
Call To Concentrate Economic Resources Made (JINGJI RIBAO, 14 Jul 83) .....	51
Call To Control Accumulation, Consumption Made (JINGJI RIBAO, 18 Jul 83) .....	53
Gansu Provincial Financial Work Meeting (CANSU RIBAO, 14 Sep 83) .....	55
Briefs	
Qinghai Bank Savings	57
Heilongjiang Financial College	57

## INDUSTRY

Nei Monggol Quality Control Awards Meeting Held (Nei Monggol Regional Service, 30 Sep 83) .....	58
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## DOMESTIC TRADE

Control of Small Commodity Pricing Loosened (Su Fuheng; SHANXI RIBAO, 29 Jun 83) .....	59
Commodity Circulation, Economic Results Discussed (Ou Yuan; NINGXIA RIBAO, 2 Jul 83) .....	61

## FOREIGN TRADE

Tianjin Meeting To Discuss International Trade (XINHUA, 30 Sep 83) .....	64
Polyester Filament Mill Opens in Guangdong (XINHUA, 28 Sep 83) .....	65
Briefs	
Australia-PRC Trade Promotion	66
Liaoning, U.S. Silk Plant	66
Hubei Foreign Capital Meeting	67
Fujian Bonds in Japan	67

## TAIWAN

Briefs	
Japanese Hot Coil Steel	68



## NATIONAL POLICY AND ISSUES

### DISCUSSION OF SUBSTITUTION OF TAXES FOR PROFITS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 6, 20 Jul 83 pp 1-4

[Article by Zou Chuanjiao [6760 0278 2403]: "A Chat on the Question of Substituting Taxes for Profits Delivered to the State"]

#### I.

[Text] Our country's socioeconomic conditions have led to the decision that for our country to obtain its financial income it is necessary to adopt the form of tax revenue.

From the point of view of the actual socioeconomic conditions in our country, throughout the entire socialist historical period there has still existed a discrepancy in advantage between the state and the taxpayer. Due to the demarcation of "you" and "me" that still exists between the state and the taxpayer with respect to economic advantage, for the state to obtain its financial income, adopting the form of tax revenue is extremely necessary, and this is the objective basis of our country's financial departments' utilization of the form of tax revenue.

During the period after our state was first founded and before the foundation of the socialist transformation of the means of production was completed, though a state-run economy had been established, nevertheless an economy based on the capitalist system of ownership still existed in large measure. And a portion of society's production, and of the national income, was still controlled by it. Under these socioeconomic conditions, in order to satisfy the requirements of the socialist revolution and the financial needs of socialist construction, only by using the method of tax revenue was the state able, without having to make reparation, to convert a portion of the income of the private and individual economies to state ownership. At that time, the necessity of our country's financial departments' utilization of tax revenue was readily apparent.

Following the completion of the socialist transformation, in the new period of modernization, a system of ownership by all of the people, an economy based on collective ownership, and a small measure of individual economy all exist. At this time, to obtain the state's financial income, it is still necessary to

adopt the form of tax revenue and, moreover, in a certain sense it is more necessary than previously.

First of all, we will look at it from the point of view of our country's economy, based on the system of ownership by all of the people. When a state levies taxes, actually it mainly takes the form of society's making a necessary "deduction" in the course of distributing the national income. The political authority of any state, in order to safeguard its existence and development, must have considerable financial resources, to be used for the indispensable expenditures of safeguarding national defense and the administration of government, culture and education, and economic construction, thus enabling the machinery of state to function normally. In order to guarantee that the state's activities have a reliable material basis, the political authorities of all states engage in the levying of taxes. China is a socialist country founded upon the basis of the public ownership of the means of production. Generally speaking, our state-run enterprises' right of ownership of the means of production belongs to all the people. This circumstance, then, has determined that the form of income for our country's socialist state finance can be either tax revenue, or we can adopt the form of turning over [a portion of] profits to the state. However, yet another aspect that one must be aware of is that each and every state-run enterprise is also a relatively independent producer of commercial products. With respect to the means of production, they still possess a portion of the right of ownership, and the right to control and utilize them as they wish. Each enterprise has its own material advantage to think about, and between the state and the enterprise there still exists to a considerable degree a demarcation between "you" and "me." For this reason, what method state finance uses to obtain income from the state-run enterprises is still an important question that relates to the whole problem of how to do a good job of dealing with the relationship between the state and the state-run enterprises.

Ever since the founding of our state, the obtaining of income for state finance has all along adopted the two methods of tax revenue and turning over a portion of profits to the state, i.e., first using an industrial and commercial tax to collect a portion of the state-run enterprises' transferred income, and then using the method of turning over a portion of profits to the state to concentrate surplus net income into the state finances. However, practice has proven that this is definitely not a very good method.

Because, adopting this profit form of income collecting and turning over all of the state run enterprises' net income to the state is actually a method of collecting all and paying for all. During a time when the national economy is recovering, putting into effect this kind of highly concentrated system of financial management and requiring the state-run enterprises to turn over all of their net profit to the state is completely necessary and also practicable, and is the only way that is good for the state's unified arrangement of its financial resources. However, on the basis of our country's many years of experience and the actual circumstances of our present reform of our economic system, if the state-run enterprises are gradually putting into effect the management of their own financial affairs, and taking responsibility for their own successes and failures, and we then, with respect to the profits realized

by the state-run enterprises, use the method of having them turn over their remaining portion of profit, it is already not altogether appropriate, and we should change the method of having them turn over their profits to imposing an income tax on the state-run enterprises.

Why should the method levying a tax be used to replace the method of having the enterprise turn over a portion of their profits to the state and allowing them to keep the remainder. I consider that this is the objective requirement of adjusting the relationship between the state and the state-run enterprises. A state tax revenue possesses the formal characteristics of being compulsory, stable, and fixed, and is a reliable source of income both for the state accumulation fund and for the safe, timely, and balanced provision of funds for the various levels of the financial budget. First of all, a tax revenue is stipulated in accordance with the form of the law, and the taxpayer must pay taxes in accordance with the provisions of the tax law. Thus, with respect to an industrial and commercial tax, as long as products have been sold, and there has been taxable activity, then whether costs have been high or low, and whether or not there has been any profit, one must still, in accordance with the law, carry out one's duty of paying taxes to the state. Second, the action of imposing a tax itself does not have any direct reciprocity, and what is manifested in the process of imposing taxes is a form of allotment without recompense. Yet again, the basic elements of the tax revenue system, such as the kinds of tax, those to whom the taxes are paid, the taxpayers, the list of taxable items, and the tax rates, are all fixed by the tax laws. For this reason, a tax revenue can guarantee the timeliness, safety and reliability of the state's financial income. This has major significance for arranging the entire state budget of income and expenditures in a planned way, and for ensuring the provision of funds for the building of the four modernizations.

At the same time, we should also see that our country's currently operating system of financial management is to some extent not in line with the requirement of managing things in accordance with the financial regulations, and there are very many malpractices. For example: First, there is no linkup between the wealth created by the enterprises and the solving of the enterprises' own need for funds. The state adopts the method of collecting both a tax revenue and the enterprises' profits, causing the enterprises to turn over all or the greater portion of their realized profits to the state, and the funds they need are then allocated to them by the state; this then causes the enterprises, particularly old enterprises, to be in extreme difficulties regarding the source of funds needed for their desired projects of technological transformation and expanded reproduction, resulting in the problem of having increased income, and wanting to improve production, yet not being able to accomplish anything. Second, with the method of collecting both taxes and profits, there is no linkup between whether management is good or bad and the economic benefits of the enterprises' staff and workers, which is not good for mobilizing the enterprises' and the staff and workers' enthusiasm. All the enterprises can do in their management activities is to receive orders and carry them out; they cannot decide for themselves in arranging things, they cannot enable the enterprises' leadership to accomplish a unity of authority and responsibility, and cannot cause the enterprises' staff and workers to



be concerned about the fruits of their management of things. Third, the fact that there is no unity of authority and responsibility is not good for strict financial and economic discipline or for safeguarding a system of managing financial affairs. According to the report of some members of financial organizations, financial authority is centralized to the point of being excessively rigid, and if that principle is maintained, then nothing at all can be accomplished; if one wants to get something accomplished, if it is not a case of the idea being reasonable yet illegal, then the procedure required will be too full of tedious formalities, so that even a good idea will meet with many setbacks, and in the end will be hard to realize. Fourth, in the currently operating system of financial management, with respect to the profits that the state-run enterprises are supposed to turn over to the state, there is a good deal of jockeying to seize and misappropriate a part. Therefore, adopting the method of having both a tax revenue and collecting profits is not good for guaranteeing the reliability and timeliness of the income for state finance.

How can we change this circumstance? Changing the method of turning over profits to the state to the levying of an income tax on the state-run enterprises is a good method for eliminating these malpractices, because:

First, in one respect, from the point of view of the state's financial income, levying an income tax on the state-run enterprises is more timely and reliable than having them turn over their profits; in another respect, it is beneficial for having the enterprises to have a clear notion of, and to carry out, their own duty. State-run enterprises, since they are relatively independent producing and managing economic entities, bear an economic and production responsibility to the state. Changing the form of turning over profits to the state to levying an income tax on the state-run enterprises, and using the form of the law to fix the allotment relationship between the state and the state-run enterprises, enables both the state's financial income and the state-run enterprises' economic benefits to be guaranteed by the law, and there is a binding force on both.

Second, it is good for promoting the development of the state-run enterprises' production. Due to the circumstance that there are unified tax law and tax rate, which within a specified period do not change, what kind of tax an enterprise will pay, how much they will pay, and how much they will be able to keep for themselves, are all known beforehand. Following the levying of an income tax, the profits that are left over will be controlled by the enterprises, so that they will have a clear idea of what financial resources they actually possess; they will be able to make overall planning and arrangements, and that is good for the development of production.

Third, it will bring about a more intimate connection among the benefits of the state, the enterprise, and the staff and workers, and that is good for mobilizing the enthusiasm of the enterprises and of the staff and workers. The greater the accumulation of funds that the enterprises create, and the better their management and administration are, then the more the profits left over after the tax has been imposed will also be, and the enterprises' funds and the workers' and staff's welfare will increase correspondingly. Conversely, if the

accumulated funds created by the enterprises are small, and their management and administration are not good, then the profits they will have left after the imposition of the tax will also be small. For this reason, the enterprises will take care to improve their management and administration, strengthen their business accounting and increase their economic benefits. All this, then, will have fundamentally transformed the phenomena of collecting everything and paying for everything, and eating out of one big pot.

Fourth, following the substitution of a tax for profits delivered to the state, the circumstance that the same tax rate will be employed in levying the tax (a state-run enterprise income tax) throughout the country can cause the tax burden of enterprises in the same line or of the same type to tend to be both reasonable and fixed, which is helpful for assessing the fruits of the enterprises' management and spurring the enterprises to try to be more advanced, catch up with other enterprises that are more advanced, develop their potential, and make the contribution to the state that they should.

Fifth, under the currently operating system of financial management, profits are reduced quite a lot by the enterprises' chaotic jockeying to appropriate a share. Though financial departments have tried again and again to clarify these problems, no thorough solution has ever been reached. Although this is a management problem, it still arises from the existence of the system of turning over profits to the state. Following the substitution of a tax for the system of turning over profits to the state, there will be a direct link up between the tax revenue and the enterprises' financial costs, and the financial and tax departments must of necessity immerse themselves in, and come to understand the circumstances of, each and every link in the enterprises' financial activities and cost accounting; strengthen their financial supervision; and urge the enterprises to improve their economic accounting; and in so doing they will have truly embodied the principle of using economic methods to manage the economy. In using the method of tax revenue to supervise the enterprises' financial affairs, and being able, in accordance with the stipulations of the tax laws, to effectively assess the enterprises' costs and profits, then even if the proportion of income tax is a bit low, the amount will still be real. Following the levying of the tax, the enterprises will be allowed to keep the profits that remain, so that there will be a source of funds for some of the enterprises' necessary expenses. The front door is thereby opened, and the back door blocked, and the problem of jockeying for a portion of the profits can be fundamentally solved. Therefore, from the point of view of the state-run economy, adopting the form of a tax revenue for the state's financial income can achieve a unique effect that other forms of obtaining financial income cannot.

Again, from the point of view of the collective and individual economies: The economy of the system of collective ownership by the masses of working people is not the same as the system of ownership by all of the people. Their property, funds, and products do not pertain to the system of state ownership, and the state does not have the right to make a unified distribution of their income.

Based on the principle of the composition of socialist funds, prior to portioning out the total production of society to the individual workers, it is necessary to deduct: "the part to be added to the original amount to be used to expand reproduction; a reserve fund to be used to handle misfortunes and natural disasters; general management expenses not having to do with production"; as well as a portion "to be used to satisfy common needs, such as schools and safety equipment" (Collected Works of Marx and Engels, Vol 3, pp 9-10). The state must collect a portion of the income of the collective economy, to be used for socialist construction, and since it cannot transfer and allocate it without recompense, it is also not proper for it to adopt other methods such as increasing the price differences of industrial and agricultural products and the system of turning over profits to the state. For this reason, if we want to deal correctly with the relationship between the state and the collective economy, the only way is to adopt the method of levying a tax. With respect to the individual economy, such as small merchants and hawkers, and individual craftsmen, imposing a tax is even more necessary. With respect to the individual economy, the means of production and the products themselves (or the income derived from them) all belong to the individual laborers. If the state wants to collect some of the income of this portion of the economy, the only way is to adopt the method of imposing a tax. Only the method of levying a tax makes it convenient for the state, through the means of taxing more or taxing less (or exempting from taxation), to carry out a unified arrangement and utilization of them.

To sum up the above, the utilization by China's finance of the form of a tax revenue, whether with respect to the state-run economy or the collective and individual economies, is extraordinarily necessary.

## II.

For a socialist country to obtain its financial income through adopting the form of a tax revenue is a requirement for bringing the function of its finances into full play.

The economic category of a state tax revenue came about in the first place as a means of collecting money for government expenses, and has the effect of organizing the state's financial income. However, once a tax revenue has come into existence, and once it has a hand in the allotment and reallocation of the total production of society, then it certainly no longer exists merely as a financial method. This is because a tax revenue, through the distribution and redistribution of all the products of society, brings into existence a kind of distribution relationship. And this distribution relationship in society, objectively and to a considerable degree, influences the development of society's production. This, then, is the objective basis for the utilization by China's finances of a tax revenue in order to influence the economy positively.

In actuality, from the time our state has been in existence, a tax revenue as an effective economic method was already utilized by the state's finances to produce a countereffect on the economy. For example, during China's spring



and autumn period, (Guan Zhong), prime minister of the state of Qi, proposed a tax policy of "appraise an area, and lower taxes accordingly," and promoted the development of production, so that the state's financial income was enriched. And capitalist countries in recent times have used all kinds of financial and banking methods to intervene in the economy. They look upon a tax revenue as "an extremely convenient and effective method for regulating and controlling economic life," with the aim of mobilizing the enthusiasm of the industrial and commercial sectors to expand their investments and develop production in order to extricate themselves from difficult economic conditions and financial crises.

A socialist state's utilization of a tax revenue possesses even greater significance. In fact, it is only under the conditions of socialism that the economic lever effect of a tax revenue can be brought into full play, because under socialist conditions the various kinds of economic levers are all under the control of the state, so that the state can coordinate their use, and form them into a system of economic levers, enabling each to exert its unique effect. For example, in order to realize the program of making the planned economy primary and the regulation of the market secondary, and enable the products produced by the enterprises to conform to the requirements of the state's plan, it is necessary to make use of prices and deviations from prices to coordinate the state's plan to regulate production and consumption. In order to promote the realization of the mechanization of agriculture and speed up the development of agriculture it is necessary to set the prices of farm machinery a bit low; and, regarding popular articles whose supply is not sufficient to meet the demand, such as sewing machines and bicycles, in order to regulate the supply/demand relationship, their price must be set higher than their value. In this way, it will come about that, after prices have been lowered, profits will be less, having a negative effect on the enterprises' enthusiasm for more production; or, if the prices have been raised, the profits are too high, it will cause the enterprises, in the comfortable position of having high prices and big profits, not to seek to become more advanced, and to slacken up on their management and administration. Therefore, a tax revenue must be used to regulate these matters, either by lowering the tax rate to guarantee the enterprises a definite level of profit, or by raising it to keep down the enterprises' profit level. Otherwise, contradictions will be created. One can see that if the state wants to regulate production and consumption it is necessary to have the coordinating effect of a tax revenue; otherwise, it will not be good for the development of the economy. From the point of view of the state's finance, its utilization of a tax revenue, on the one hand, takes that portion of income derived from products whose prices had been set high by the state's plan and returns it to the state's treasury, which is good for the development of the state's financial income, or takes this portion of income and uses it to subsidize those enterprises and products that had incurred losses as a result of the state's plan setting prices low. On the other hand, granting a lower tax or exemption from tax to those products whose prices have been set low by the state's plan enables the state's plan to truly have the effect of regulating production and consumption, thus promoting the coordinated development of the economy. In this way, a new source of revenue will have been opened up, enabling the state's financial income hereafter to have a reliable guarantee.

Finally, from the point of view of yet another way of producing income, China's adopting the form of a tax revenue to obtain its financial income is, in the course of our economic dealings with foreign countries, in coordination with our policy of trade with foreign countries, a requirement for safeguarding our national sovereignty and economic advantage and promoting the development of foreign trade.

Foreign trade is an important component part of our country's socialist economy, and in order to speed up the pace of the four modernizations we must make use of tax revenue to further open up foreign trade. On the basis of the principle of regeneration through our own efforts, we must bring in foreign capital and advanced technological equipment, set up joint ventures, and accept raw materials and new ways of processing from abroad, and loans from international banks, intergovernment loans, etc. Our country's "Law Governing Chinese-Foreign Joint-Venture Enterprises" made public early on that, in the wake of the development and expansion of these economic dealings with foreigners, we must also appropriately regulate foreign capital and the high incomes of foreign personnel. According to international practice, in order to realize economically the principle of equality and mutual benefit, we can only adopt the method of levying a tax; and this is something that can be accepted by all parties. The levying of these taxes is good for increasing our financial income and foreign-exchange funds, and also does not increase the burden of foreign capital or foreign personnel and, moreover, economically also carries out the principles of safeguarding our national sovereignty, equality and mutual benefit. From the point of view of our national finance, the significance of levying a tax on foreign capital is not limited to directly increasing our financial income but, moreover, in importing foreign capital and advanced equipment to develop certain areas of the national economy, and greatly reducing the financial expense of arranging for these items, it amounts to having increased our financial resources. Since the implementation of the policy of opening up to the outside, China has already, through the method of signing contracts, brought in \$2.9 billion in foreign exchange, which converted into yuan is close to 4.5 billion yuan. That is, the national finance has saved 4.5 billion yuan, and this has sped up the development of the national economy and opened up a new source of revenue. This is something that other forms of obtaining financial income are powerless to do.

From the above analysis it can be seen that the utilization of tax revenue by China's finance is completely necessary. Tax revenue, in its aspect of guaranteeing the stability and timeliness of the state's financial income, as well as in bringing into play the effects of state finance of positively influencing the development of the economy and opening up further sources of revenue, is something that cannot be replaced by other forms of obtaining financial income. The unique effects of a tax revenue have determined its place in our country's finance. We should further strengthen tax revenue work, and fully apply its effect in producing, amassing, and utilizing wealth, in the service of the great aim of realizing the four modernizations.

## NATIONAL POLICY AND ISSUES

### GUANGMING RIBAO ON CONTROLLING INVESTMENT

HK290251 Beijing GUANGMING RIBAO in Chinese 18 Sep 83 p 3

[Article by Zhong Zhaoxiu [6988 0340 0208]: "Control the Scale of Investment, Prevent the Accumulation Rate From Rising Again"]

[Text] "First, feed the people and, second, build the country" is an important principle put forward by Comrade Chen Yun for handling the relationship between accumulation and consumption in the national economy. However, how much material wealth can be created in a year, how much of it should be used for consumption, how much should be subject to accumulation are actual questions which involve many complicated factors. The resolution of these questions requires scientific calculations and coordinated arrangements. If we do not keep a clear account in our economic activities, do not keep expenditures within the limits of income, and do not maintain an overall balance, then it is hard for us to carry out smoothly socialist modernization construction. This has been proved by both positive and negative experiences in our economic practice.

How much material wealth can the people of our country create in a year? How much should be used respectively for consumption and accumulation? According to calculation at prices existing then, the national income in 1952 amounted to 58.9 billion yuan, that in 1978 amounted to 301 billion yuan, and that in 1982 amounted to 424.7 billion yuan. In the earlier 24 years (between 1953 and 1978), the average yearly increase in the national income was less than 10 billion yuan; while in the later 4 years (between 1979 and 1982), the national income increased by an average of more than 30 billion yuan each year. According to calculation at constant prices, in the earlier 26 years, the national income grew each year at an average rate of 6 percent; and in the later 4 years, it grew each year at an average rate of 6.3 percent. The national income being actually used in 1982 increased to 425.4 billion yuan from the 1978 figure of 297.5 billion yuan. The part used for consumption increased from 188.8 billion yuan to 302.1 billion yuan, and the part used for accumulation grew from 108.7 billion yuan to 123.3 billion yuan. This shows that the growth in consumption was quicker than the growth in accumulation. This has thus brought about a major change in the relationship between consumption and accumulation. The consumption rate rose from 63.5 percent in 1978 to 71 percent in 1982, while the accumulation rate fell from 36.5 percent in 1978 to 29 percent

in 1982. With the growth in the consumption rate, the consumption level of residents also rose. During the 4 years ended in 1982, according to constant prices, the consumption level of peasants was raised each year at an average rate of 8.4 percent, and the consumption level of the nonagricultural population rose each year at an average rate of 4.6 percent. The above data indicate that since the third plenary session of the 11th CPC Central Committee, because of the adoption of a series of correct policies and effective measures, the national income of our country has increased markedly, and the state of serious imbalance between accumulation and consumption has been greatly corrected.

The economic practice of the last 30 years shows that it is appropriate to use more than 70 percent of the national income for consumption and less than 30 percent of the national income for accumulation in our country, which has a large population and which is economically less developed. In order to ensure this point, as an important step it is necessary to control investment in fixed assets on an appropriate scale because, in general, three-quarters of the total accumulation volume in our country is fixed assets accumulation and one-quarter is circulating assets accumulation. Fixed assets accumulation is mainly formed by investment in fixed assets. If other factors are left aside, then we can see that the scale of investment in fixed assets has a close relationship to the level of the accumulation rate. In 1979 and 1980, the accumulation rate remained at a high level, above 30 percent, mainly because the scale of investment in fixed assets of enterprises owned by the whole people was not promptly brought under control. In 1981, the central authorities resolved to bring down the scale of investment in fixed assets, and the accumulation rate fell to 28.5 percent from the previous year's 31.6 percent. However, the volume of investment in fixed assets in 1982 again sharply expanded. As a result, the accumulation rate rose to 29 percent. If not for the fact that the scale of circulating assets accumulation was brought down, the accumulation rate would have broken through the 30 percent point. In the first half of this year, the gross volume of investment in fixed assets made by whole people-owned enterprises and departments amounted to 28.8 billion yuan, marking an increase of 15 percent over the same period of last year. If we fail to adopt any resolute and effective measures, the total volume of investment in fixed assets this year will probably top 90 billion yuan. This will cause the further growth in the accumulation rate if other factors remain unchanged, and the problem of excessively high accumulation will then reoccur. Its serious adverse influence on economic development remains fresh in people's memory. On no account must we return to the old path of high accumulation, low consumption, and poor economic results. Therefore, we must be resolved to bring the scale of investment in fixed assets under strict control and prevent the accumulation rate from rising to a level above 30 percent.

What is the appropriate scale on which we should control the investment in fixed assets in the economic sector owned by the whole people?



Viewing the relationship between the investment in fixed assets owned by the whole people and national income, we find that the investment in fixed assets owned by the whole people mainly derives from the national income. Now, agriculture still accounts for a large proportion in our national economy, production technology is still fairly backward, social productivity is still rather low. For these reasons, of the national income, the part owned by individual laborers in the form of payment for labor accounts for a rather big proportion, while the part owned by the state through profit delivery, tax payment, and interest income and owned by enterprises in the forms of enterprise fund and retained profits accounts for only a comparatively small proportion. The portion of the national income owned by the whole people must be used for various purposes, and the share designated for investment in fixed assets cannot be too big. Under current economic conditions and under the premise of improving economic results and increasing the national income, it is appropriate to control the investment in fixed assets owned by the whole people at a level of not more than 20 percent of the national income of the same year. Data over the past 30 years show that when a normal ratio between fixed assets accumulation and circulating assets accumulation is maintained and the investment in fixed assets owned by the whole people approaches or exceeds 20 percent of the national income, the accumulation rate is, in general, above 30 percent. Suppose the national income this year amounts to 450 billion and the investment in fixed assets owned by the whole people reaches 90 billion yuan, that is, accounts for 20 percent of the national income; we can calculate the expected accumulation rate and will find that it tops 30 percent in the light of the empirical data and formula in regard to the ratios between the investment in fixed assets owned by the whole people and the fixed assets accumulation and between the fixed assets accumulation and the circulating assets accumulation.

In terms of the relationship between the investment in fixed assets owned by the whole people and the state financial income, the former mainly derives from state financial incomes inside and outside the budget. In 1982, half the investment in fixed assets owned by the whole people derived from state financial income inside the budget and the other half came from financial income outside the budget. Therefore, it is not enough if we merely view the relationship between the investment in fixed assets owned by the whole people and the state financial income inside the budget. Rather, it is necessary to take an overall view of financial incomes both inside and outside the budget. How big a share of financial incomes inside and outside the budget can be used for investment in fixed assets? Under the current financial system, it is appropriate to maintain the investment in fixed assets owned by the whole people generally at the level of about 40 percent of the state financial incomes both inside and outside the budget. According to initial calculations, of the state yearly financial budgetary income, about 65 percent is used for consumption expenditures--40 percent for wage payment and 25 percent for public consumption--and only 35 percent can be used for investment. Suppose the state budgetary financial income this year is 120 billion yuan and accounts for 26.7 percent of the national income of the same year; under the premise of maintaining the financial balance, the amount available for investment is about 42 billion

yuan. If the financial income outside the budget amounts to 70 billion yuan, and 28 billion yuan of it, or 40 percent, is used for investment in fixed assets, the total of the two amounts will reach 70 billion yuan, accounting for 36.8 percent of the 190 billion yuan financial income both inside and outside the budget. Of course, if financial investment is not sufficient, bank loans for investment can still make up for some deficiencies. (Loans of this kind are also limited and should also be brought under control.) However, if the investment in fixed assets owned by the whole people reaches 90 billion yuan and accounts for 47.4 percent of the total financial income inside and outside the budget, it will have exceeded the existing comprehensive financial and credit capacity of the state.

As far as the relationship between heavy industry and the investment in fixed assets owned by the whole people is concerned, the machinery, equipment, and building materials needed when investment in fixed assets is made must all be supplied by heavy industry. The expansion of the scale of investment in fixed assets must have a material guarantee from heavy industry by developing its products. Conversely, the major domestic market for heavy industrial products relies on investment in fixed assets. If investment in fixed assets does not increase, it is difficult for heavy industry to develop. In the past, the development of heavy industry in our country basically advanced and slowed down together with the growth in investment in fixed assets owned by the whole people. In the last 30 years, the ratio between the average growth rate of investment in fixed assets and the average growth rate of heavy industrial output value (at constant prices) was 1 to 1.4. That is to say, a 1 percent increase in investment in fixed assets owned by the whole people will lead to a 1.14 percent increase in heavy industrial output value. According to the 1982 data, the 1 percent increase in investment in fixed assets is 845 million yuan, and the 1.14 percent increase in heavy industrial output value is 3.12 billion yuan. If investment in fixed assets in 1983 tops 90 billion yuan, heavy industrial output value will have to reach 324 billion yuan, or increase by 18 percent over 1982. When there is a strain on energy supplies and transport facilities, developing heavy industry at such a high speed cannot ensure the coordinated development of agriculture, light industry, and heavy industry. Therefore, in general, the growth rate of investment in fixed assets should be lower than the growth rate of heavy industry. According to empirical data, the former rate should be set at a level below 10 percent.

Moreover, the scale of investment in fixed assets owned by the whole people should also be kept in line with the development of light industrial production. Otherwise, the people's purchasing power, built up along with the increase in investment in fixed assets, will not be easily satisfied, and this will thus impose heavy strain on market supplies.

After we largely define the appropriate scale of investment, we should adopt effective measures to control investment within this limit and to prevent it from breaking through.



First, we must try to better keep a comprehensive balance in the national economy and inside a trade or a region. We should investigate the production capacity, distribution, marketing, and access to energy and raw materials of various trades and regions and make comprehensive studies and calculations so as to work out balanced plans for various trades and regions. Enterprises being built in a blind way should be reorganized, and some of them should be ordered to shut down, suspend operation, amalgamate with others, or switch to the production of other products. Recently, the State Council issued a circular in the light of a survey made by the Ministry of Light Industry, ordering that the 183 cigarette and tobacco plants in 21 provinces, municipalities, and autonomous regions run by the authorities at or above the county level outside state plans shut down before the end of July, with another 60 similar plants being brought under the management of state plans. Henceforth, no localities and departments are allowed to establish cigarette plants or distilleries without the ratification of the Ministry of Light Industry. All handmade cigarette industries must be banned. In my opinion, other trades should also follow this example in reorganizing and consolidating their enterprises so as to strengthen planned management. Once the scale of investment in fixed assets is decided on, responsibility should be assigned to the authorities at all levels for bringing the investment in their areas under strict control. No localities, departments, and units are allowed to make extra investments beyond their quotas without authorization.

Second, it is necessary to raise the proportion of the state financial income in the national income and to concentrate necessary funds to ensure key construction. In recent years, because of the increases in the prices for purchasing agricultural and sideline products from peasants and in workers' wages and bonuses, and because of the initial reform of the financial system, a great change has occurred in the distribution of national income among the state, the collective, and the individual. In the 4 years ended in 1982, national income increased by 120 billion yuan. The increased portion of the national income was distributed generally in the following way: The share for individual peasants and rural communes accounted for 69 percent, or amounting to 85 billion yuan; the share for workers engaged in material production accounted for 17 percent, or amounting to 21 billion yuan; enterprises achieved 24 billion yuan, accounting for 20 percent. However, rather than increase, the state financial income fell by 7 billion yuan in this period. The proportion of state financial income in the national income fell each successive year from 37.2 percent in 1978 to 25.5 percent in 1982. This has seriously affected the state's efforts to concentrate necessary funds for key construction.

The radical way to increase state financial income is to develop production and improve economic results. At the same time, it is also necessary to readjust appropriately the proportions of distribution. An important step is to reduce the proportion of profits retained by enterprises. At present, some state-owned enterprises do not take into account the interests of the state. When calculating the retention of profits, they ascribe favorable factors to themselves and attribute unfavorable factors to the state, thus grabbing state financial income. In 1982, civilian industrial enterprises'

profits in real terms increased only by 500 million yuan over the year before, but their retained profits increased by nearly 1.2 billion yuan; commercial enterprises' profits decreased by 18 percent, but their retained profits remained at the same level. These unreasonable phenomena must be corrected, and the enterprises' retained profits should be reduced appropriately. At the same time, it is also necessary to check price subsidies and subsidies for other items, which have greatly offset the financial income, and to reduce these subsidies gradually. Henceforth, the increase in peasants' income should rely mainly on production development, and the increase in workers' income should rely mainly on enhancing productivity. Only thus can we gradually change the tendencies that the proportion of the financial income in the national income shrinks year after year, funds are excessively scattered, the scale of investment in fixed assets swells excessively, and the accumulation rate continues to rise.

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## ECONOMIC MANAGEMENT

### JINGJI GUANLI ON CHONGQING PILOT ECONOMIC REFORM

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[Speech by Bo Yibo [5631 0001 3134] at 13 March 83 report-back meeting concerning the pilot schemes for comprehensive reforms to the economic system in Chongqing: "Pilot Schemes for the Comprehensive Reform of the Economic System in Chongqing and a Probe Into the Direction of Military-Civilian Integration"--some abridgements and additions made by author when article was published]

[Text] At the beginning of 1983 the State Council resolved to carry out pilot schemes in Chongqing for the comprehensive reform of the economic system. This is an important policy. The pilot schemes in Chongqing represent an integral part of the organization of the reform of the economic system throughout the country. After the completion of these pilot schemes and the amassing of some new experiences, it will be easier to determine at an early date the plans for the reform of the entire national economy, the steps toward such reform will be speeded up and this will be in line with the demands of the development of economic construction in China.

The construction of China's economic system was greatly influenced by the USSR's economic system. This influence had its relevant and good sides but it also created some problems and disadvantages, the main ones being overunification and centralization and overmanagement. In recent years there have also been reforms to the Soviet economic system. The reforms that we have carried out in the past have been insufficient due to a lack of correct guidance. Since the third plenary session of the 11th CPC Central Committee there have been new breakthroughs in reforms to China's economic system as political order has gradually been restored out of chaos and economic readjustments have been made. The most obvious positive results have been in reforms to the rural economic system while there have also been many reforms applied to other areas as well. Our present tasks are to continue to implement our work positively and systematically, ensuring that reforms to China's economic system, a major task linked to China's economic livelihood and social livelihood, are carried out well, so that we may gradually overcome the shortcomings of the original system and establish a new economic system suited to the situation in China which will promote the constant forward development of the social productive forces.

As far as the question of reforms to the economic system is concerned, one of our most important guiding philosophies is to exploit the role of economic organization in towns and cities, especially large and medium-sized towns and cities, to organize various kinds of economic activities on the basis of the intensional relations of economic development, to overcome the unnecessary limitations in administrative systems and administrative divisions, to resolve the contradictions of departments and regions at different levels, and to promote urban and rural integration. Economic development has its own objective laws which cannot be changed by the will of the people and thus it is impossible to use administrative divisions to try to change these laws. To tackle things in contradiction to this will inevitably lead to a shrinkage or even stagnation of economic development. In addition China has extremely fertile and rich land and abundant natural resources but their location is very unbalanced and as a result economic conditions and natural conditions vary a great deal. Hence the implementation of a management system which takes administrative departments as its central structure often leads to divisions into departments and regions at different levels and this is very bad in terms of organizing the economy on the basis of local suitability. In addition, management based on administrative departments often creates regional blockades and splits open the centralized socialist market. In order to overcome these problems the correct avenues to be taken must be explored and thence respected, while towns and cities with developed economies should be taken as the focal points of such organization so that they may effect the development of their surrounding rural areas and small towns and so that, in accordance with the demands of socialized large-scale production, they may organize production and circulation in a unified manner and gradually develop various kinds of economic regions and economic networks focused on the large towns and cities as the support centers. The pilot schemes for comprehensive reform in Chongqing and the economic program regions which have been set up, one centered in Shanghai and designed to open up and develop the Changjiang Delta region and the other designed to open up and develop Shanxi coal, are all representative of the present correct guiding ideology.

After the establishment of the National Economic Reform Committee, pilot schemes for the comprehensive reform of the economic system were carried out in Changzhou in Jiangsu Province and in Shashi in Hubei Province, and already some valuable experience has been gained from these pilot schemes. These pilot schemes are still continuing. The scale of these two towns is rather small and the economic relations within them are not very wide or far-reaching and thus the experiences gained from the pilot schemes are still not really applicable to reforms of the economic systems in larger towns and cities. As a result it was necessary to choose some other towns of a more model nature for further pilot schemes. On the basis of economic and geographical characteristics and the amount of foundation work already done, the State Council felt that Chongqing was a suitable city in which to carry out further pilot schemes.

Chongqing has a very long history and has been the economic and distribution center for goods and materials on the upper Changjiang for many years. In addition it has very close economic ties with provinces to the south and



west as well as regions downriver on the Changjiang, and is also the inland river port for overseas economic business. Since liberation the economy of Chongqing has developed a great deal and there have also been tremendous improvements in communications on land and on water and as a result the city's economic links with other regions further down the Changjiang and provinces to the south and west have also greatly improved. As far as natural resources are concerned, Chongqing and the surrounding areas are situated at the convergence of the Changjiang River and the Jialing River and thus irrigational resources are extremely good. There are enormous deposits of coal in the region as well as natural gas. Agricultural foundations are fairly good and the production of grain and economic crops is very high. There is a fairly comprehensive number of industries and Chongqing boasts each of the total of 14 industrial sectors throughout the country. Of the total number of 166 trades, Chongqing has 144. The basic industries of the entire city, including the weapons industry, are all very strong. In other words Chongqing City and the surrounding areas, located as they are at the convergence of both land and water communications, and being at the same time economically strong, have extremely good developmental prospects. Naturally this is a very positive condition for carrying out pilot schemes for the comprehensive reform of the economic system.

Seen from another point of view, for a very long time now the city of Chongqing has been unable to take full advantage of its role as an economic center because of the influence and effects of departmentalized and regional splitting and as a result of the limitations of the system of the cities being under provincial jurisdiction. Because of this the economic results of many Chongqing enterprises have not been high. For example, of the 15 largest and most important towns and cities in China, Chongqing ranks fifth in terms of industrial fixed assets and seventh in terms of industrial production value and numbers of workers, while in terms of labor productivity it comes last. This situation illustrates that the implementation of pilot schemes for the comprehensive reform of the economic system in Chongqing is an objective necessity.

The province of Sichuan and the city of Chongqing take reforms to the economic system very seriously and the first steps involved in reform work were under way at a very early stage and thus the leaders and the masses are now ideologically prepared for reform and already have a certain amount of experience, while the demands for continued reform are now very pressing. In recent years Sichuan Province has been at the forefront of agricultural reform and as far as industrial and commercial reform is concerned Sichuan Province and Chongqing City have done a lot of work with a view to expanding enterprise autonomy and setting up a system of economic responsibility. Very recently Sichuan Province has also led the country in its work in reforming administrative bodies. With these foundations, the number of obstacles involved in the implementation of pilot schemes for the comprehensive reform of the economic system may possibly now be less. At the same time the city of Chongqing is not the capital city of Sichuan Province and this, in view of the fact that the administrative relations between provinces and cities at the moment have not changed, is also a positive thing in terms of giving the city of Chongqing economic management autonomy on a level similar to that of provincial levels by means of reforms.

The State Council has great expectations for the comprehensive reforms to the economic system in Chongqing and thus it has incorporated this major undertaking into its strategic plans for national economic development. The general demands are that through reform the economic and geographical advantages of Chongqing City and the surrounding regions may be fully exploited, that present administrative divisions may be broken down, that the system of urban administration of prefectures may be implemented, and that on the premise of the central authorities' unified implementation of the open-door policy, economic relations between Chongqing and overseas partners may be developed, thus improving economic results and making Chongqing City a true model of the open-door, comprehensively developed economic region. This so-called comprehensive development requires the gradual building up of a strong agriculture and healthy energy resources for its foundations as well as rationally structured and coordinated development of the raw materials industry, the machine manufacturing industry, the defense industry, the light and textile industries, and the food industry. In addition it requires well-developed domestic and foreign trade undertakings, communications and transportation systems, science and technology, and finance. It is very clear that all of this corresponds to the objective demands of economic development and that it is of great significance to the development of the economy of Sichuan Province and the entire southwestern region and to the organization of other economic regions and economic networks centered around other towns and cities which in turn will promote economic development throughout the country.

There is a great deal of work to be done in the pilot schemes for the comprehensive reform of the economic system of Chongqing and this includes improving the planning system, improving the enterprise management system, improving the circulation system, improving the financial and taxation system, improving the labor wage system, and so on. One important thing that should be emphasized is that because of the nature of the existing enterprise foundations in the Chongqing area, great efforts should be made during these pilot schemes for reforming the economic structure to probe the possibilities of integrating the defense industry and civilian industries. Furthermore this work should be considered a matter of primary importance.

"Military and civilian integration" is a long-term principle being implemented on a national scale. As a result of historically created conditions and an overemphasis of the use of foreign imported experience, the civilian and defense industries in China grew into two separate systems quite a long time ago, thus giving rise to repetitive construction and manufacturing, with each one counteracting the other, and as a result the productive forces and the technological strength of each were unable to reach total exploitation and hence the situation represents an enormous wastage in China's economic construction. In order to change this situation which came about as a result of unsatisfactory management systems, some reform-related investigations were made in the past concerning "military and civilian integration" and in more recent years some more work has been done, with greater contributions being made. However, in terms of the country in general this area of work is only just beginning and thus the results are not evident. Because of this, active efforts to explore the potential behind "military and civilian integration" are still a common task of many



6

regions, departments, and enterprises and hence Sichuan Province and the city of Chongqing carry an even greater responsibility in this area of work.

During the Japanese war of aggression Chongqing and its surrounding areas became the concentrated location of some military industries and after liberation a great deal of reconstruction, expansion, and new construction was carried out, so that even very early on the area had powerful productive forces and important scientific and technological research resources. However, these have not been exploited to their utmost and there is still an enormous potential awaiting exploitation. In view of this situation the pilot schemes for the comprehensive reform of the economic system in Chongqing will not achieve the expected results if we do not solve this problem of military and civilian integration and if we do not make full use of the advanced equipment and powerful technological forces available in the military industries. If we do not enliven the military industry and if we do not ensure sufficient organization of this section of the social productive forces, including them in unified planning and thereby exploiting the advantages of the socialist planned economy, then it will be very difficult for the Chongqing region and for Sichuan Province to achieve further economic development and also very hard for this area to play any important role on a national basis. It should be realized that "military and civilian integration" is a very large problem which is related to almost every aspect of the economy. Only with integration between military industries and enterprises and civilian ones can there be any advantages for both sides. The military industrial enterprises should exploit their superior equipment and technology and manpower in actively developing civilian products on the basis of demand and potential and thus provide support to the market and give support to technological transformations in local enterprises. At the same time the purpose of such a move will also be to improve the military industry's own conditions and increase its own strength. Civilian industrial enterprises are actually demanding to be of help to military industry and they also want to coordinate with military industrial enterprises and thus it is not simply a matter of the military industrial enterprises supporting civilian industry, nor is it merely a question of civilian industries only helping military industry, it is in fact a question of mutual coordination, mutual integration, and mutual support. The integration of military industry with civilian industry will not merely enliven one side or the other, it will enliven both sides. With the two sides integrated, their strength will be even greater.

Attitudes in Sichuan toward the implementation of pilot schemes in Chongqing for the comprehensive reform of the economic system include the following: "On the premise of correctly completing military production quotas and research quotas, it is felt that the production of civilian products in the military industries should be centered on an urban basis so that planning may be carried out with the relevant departments of the national defense industry and in this way they may be included in state plans. The coordinated production of whole sets of civilian products should be organized on a local basis according to the principles of economic rationality. The surplus capacity and technological strength of the military industries should be organized for production and coordinated for participation in technological

offensives and technological transformations on an urban basis. The advanced technology of the military industries should be applied to the civilian industries and repayable transferal should be implemented." This opinion is based on objective reality. We should affirm that this is the correct direction to take and that the measures and steps to be taken are all feasible.

In recent years the city of Chongqing has already done quite a lot of work in integrating military and civilian industries and the results have been good. According to information from the relevant departments in Chongqing, in view of the fact that the city's military industrial enterprises have had insufficient production orders and on the premise of completing all military production orders, the industry has used its surplus productive forces and exploited its superior technology in actively developing the production of civilian products and in 1982 the civilian product production value for the entire city's military industrial system had increased by 3.6 times over 1979, making up 32 percent of the total production value for that year. Because of accurate and necessary increases in services the city's military industrial system rationally reorganized its product makeup and has now already test-manufactured more than 40 different civilian products which seem marketable and which have a good marketing future, and in doing so they have created a significant production capacity. At the same time they have also designed and manufactured around 1,000 pieces of equipment for around 10 different areas of civilian industry including the leather industry, cigarette production, weaving and textiles, plastics, rubber, paper production, and printing. In addition the military industrial system has provided effective support for the technological transformations in the light and textile industries and has increased and promoted the economic results of military and civilian industries.

In Chongqing we visited the Jialing machine factory and Wangjiang machine factory. Both these factories have been moving steadily toward military and civilian integration and in doing so they have worked hard and made some very positive achievements, which leave one with lasting impressions. The equipment in the Jialing machine factory is very good and it has a strong technological force. Over the last few years it has seen a serious shortage of orders and with such a large factory space, there has been little work to do. In 1978 the entire profits of the factory were only sufficient to pay workers' wages and thus the comrades in the factory were all very worried. In 1980, under the organization and assistance of the relevant departments in Chongqing, the factory established an economically integrated body to manufacture the Jialing brand motorbike on a supra-undertaking, supraregional and supraownership system basis. Following this the factory test-manufactured the motorbike. In the same year it began production on a small scale while in the following year, 1981, production rose to 50,000 and in 1982 it stood at 70,000. Today annual production has reached around 150,000 bikes. Production value in 1982 already made up 22 percent of all civilian production in the city's military industrial enterprises and over the last few years the factory has handed over to the state nearly 5 million yuan in income tax and industrial

commercial taxes and thus this one civilian product has already raised nearly 100 million yuan for the state. This factory has a successful work method. They joined up 8 factories and in addition had another 110 coordinated assembly factories. In this way not only did they very quickly lessen the difficulties that their factory was facing, they also managed to save some other factories which would have been unable to continue due to financial losses. Their large-scale production of civilian products not only did not affect military production and technological improvements, but also amassed financial and material resources for the continued development of the integrated body and thus also organized a lot of undertakings related to improving the welfare of the workers. The Wangjiang machine factory began actively to produce light industrial equipment in 1980 and by March of 1983 it had already produced 267 pieces of equipment and machinery, the vast majority of which played important roles in improving production efficiency, improving product quality, increasing product variety, promoting the entrance of products into international markets, and protecting the environment. This factory has supported the technological transformations in civilian industrial enterprises and has helped them improve their economic results while at the same time increasing its own profits and training the workers and improving their technological capabilities.

After seeing the Jialing machine factory and the Wangjiang machine factory I appreciated even more the need to work hard to probe new avenues and that the road to military and civilian integration is indeed very wide. Can the road which these two factories have chosen be seen as a new road? I feel that it can. Their experiences are still very new and they should gradually be improved and perfected and the factories should be given help in assessing their experiences and promoting them. It seems to me that the key question in the road toward military and civilian integration is still leadership. All of us must continue to emancipate our thinking and we should not allow ourselves to be restricted by old frameworks. We must stand ever taller. During the implementation of the pilot schemes in Chongqing for the comprehensive reform of the economic system it would be an enormous contribution to both the pilot schemes being organized in Chongqing and to reforms in the economic system throughout the country if there were to be active efforts to probe and to unearth a road toward military and civilian integration.

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## ECONOMIC MANAGEMENT

### ASPECTS OF RESPONSIBILITY SYSTEM IN ENTERPRISES

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[Article by Wang Jue [3769 3778]: "Several Questions About the Economic Responsibility System"]

[Text] Theoretical Grounds for the Economic Responsibility System in Socialist Enterprises

The economic responsibility system in socialist enterprises can, in the main, be summarized as an administration and management system whereby the enterprise is relatively independent in carrying out its management, and which combines responsibility, power, and interests on the basis of the public ownership of the means of production and under the management of the state's unified planning. Why is the economic responsibility system a system that we must establish in order to promote the smooth development of our social productive force? I am of the opinion that we must look for the answer to this question in the special modes that combine laborers and means of production under socialist conditions.

The economic responsibility system that we are implementing is, in essence, a concrete form of our socialist relations of production. In the process of production, the nature of relations of production is shown in the forms of the combination between means of production and laborers. Therefore, the various forms of the economic responsibility system are also inevitably based on the special modes and methods in combining socialist laborers with means of production.

Under a socialist system, laborers, as joint owners of their means of production, can directly control and use the means of production and carry out the production and reproduction of material means in order to satisfy their own needs and the needs of the society as a whole. However, in our country at the current stage, because of the underdevelopment and uneven development of our productive force, the diverse forms of economy that exist in our country under the prerequisite of regarding the publicly-owned state-run economy as the core, are expressed in a complicated mix of ownership. This has given rise to a complicated situation in this kind of combination.



1. There are internal and external differences in the scope and scale of the combination. By external difference, we mean the difference between state-run, collective, and individual economies. By internal difference, we mean the difference in our collective economy between households, groups, and enterprises which serve as its basic economic units and in our state-run economy between companies and enterprises which serve as the basic economic units of the latter economy.

2. The modes of combination also differ; some being direct while others are indirect and some being long-term while others are short-term. Some of the combinations are realized through the centralized distribution of the state plans, others are realized by the contracts between the enterprise and its laborers, and still others are combinations of diversified forms set up by laborers on a voluntary basis.

3. The economic interests of the combinations differ. Under socialist conditions, the labor of a laborer is on the one hand, of a social nature and on the other hand, of an individual nature. The difference in the labor of our laborers determines the difference in their economic interests, which further gives rise to the difference between the labor in an enterprise within its limited scope and the direct social labor. From the last difference is derived the difference between the collective interests of the enterprise and the interests of the society represented by the state.

Under socialist conditions, judging by the nature of means of production, the special modes and methods in combining laborers and means of production is precisely combined labor. However, it is based on the prerequisite of laborers jointly owning their means of production. If we depart from this prerequisite of laborers jointly owning their means of production, we will not be able to explain the socialist nature of the combined labor.

The complicated nature of the modes and methods in combining laborers and means of production under socialist conditions determines the complicated nature of the socialist economic relations. Regarding our state-run economy, these relations have the following three characteristics:

1. Inside our state-run economy, the mode of the combination between laborers and means of production is in fact divided into two phases. In view of the public ownership of the means of production and the direct socialized nature of the labor, laborers and means of production are combined with the integrated entity of society represented by the state. This is the first phase of combination in our state-run economy. It is also called the first phase of combined labor. Furthermore, because of the difference in the ways in owning the means of production and the limited scope of the labor, the combination inside the state-run economy is inevitably a concrete combination of laborers and means of production that is realized in the management entities of enterprises. This is the second phase of the combination. It can also be called the second phase of combined labor.

2. The above-mentioned two phases of combination or two phases of combined labor have given rise to a difference in economic interests. The first phase embodies the fundamental, overall, and long-term interests of our laborers while the second phase reflects the interests of their enterprises as a part of the whole society.

3. The two phases of combination and the two phases of economic interests arising therefrom are realized through the economic activities of the former two phases. Thus have emerged two phases of management, one of which is shown in the reproduction activities of individual enterprises and the other is shown in the reproduction activities of the whole state-run economy.

The above-mentioned two phases and the two kinds of interests and activities of the state and the enterprise vividly manifest the complexity of the internal structure of the relations of production in our state-run economy. The state and the enterprise, as representatives of the different phases of the internal structure of the relations of production in our state-run economy, are in contradiction in terms of the difference in their ownership of means of production (with an enterprise as a unit of owners) and in terms of the labor of a laborer being the labor of an enterprise as a part of the state-run economy, as well as consistent in terms of their public ownership and the fundamental interests of their laborers. The consistency is realized through unified planning and the contradiction is adjusted through equal value commodity exchange. If we probe deeper into this question, we will find that the state (as the first phase of combined labor) as well as the enterprise (as the second phase of combined labor) is a unity between the owners and users of means of production as both the owners and users are mainly composed of laborers. However, there is a difference in this unity, that is, the state, being an entity which represents, in an amassed manner, the laborers in terms of their common ownership of the means of production, chiefly incarnates the factors of ownership and is the principal body of the state-run economy; while the enterprise, which represents, in an amassed manner, the laborers in terms of their employment of the means of production, chiefly incarnates the factors of management and is the principal entity of management in our state-run economy. It is precisely this difference that has caused our state-run enterprises to become relatively independent commodity producers.

From the above analysis of the complexity in the internal structure and the internal contradictions in the relations of production of our state-run economy, we can see that this complexity is concretely shown in the relations of responsibility, power, and interests between the state and the enterprise. Establishing various forms of the economic responsibility system and correctly handling the relations of responsibility, power, and interests between the enterprise and the state and between the enterprise and its laborers is an objective demand of the development of the productive force.



## Basic Content and Forms of the Economic Responsibility System

The basic content of the economic responsibility system consists of the following three aspects: 1) A unity of responsibility, power, and interests; 2) the taking into account of the interests of the state, the enterprise, and the individual; and 3) the direct linking of the remuneration for the labor of an individual with the results of his labor.

Concerning the unity of responsibility, power and interests, in implementing the economic responsibility system, an enterprise must put responsibility first. This means that it should first shoulder its responsibility for the state and fulfill the various kinds of tasks assigned to it by the state. Secondly, in order to fulfill these tasks, an enterprise must have certain decisionmaking power in the various links of production, purchases, and marketing and in the spheres of personnel, finance and materials. Moreover, it should also get corresponding economic interests so that it will have the internal impetus to promote its economic operation. If we regard the responsibility that an enterprise must shoulder for the state as an external pressure, the economic interests of an enterprise can then be regarded as an internal impetus, while the power of an enterprise can be regarded as a guarantee for uniting an enterprise's responsibility for the state with its own interests.

In order to make our enterprises' economic responsibility system develop in a correct direction, we must take into account the interests of both the state, and the enterprises and the laborers as individuals. The state represents the all-round long-term interests of the people as a whole and serves as a fundamental guarantee for our socialist system. Under the prerequisite of guaranteeing the interests of the state, the proper interests of our enterprises must also be guaranteed. For only by so doing can our enterprises carry out their management independently and develop themselves. The interests of laborers as individuals must continuously increase on the basis of the development of the undertakings of their enterprises so as to realize the laborers' position and role as masters. Any practice of paying attention to the interests of only one of the three parties will cause losses to our socialist economy.

The remuneration for an individual laborer in a socialist system must be directly linked with the socially needed results of his labor. We should adopt various kinds of appropriate forms to carry out distribution according to labor and to overcome egalitarianism.

Through what forms will the content of the above-mentioned economic responsibility system be realized? In this respect, the all-round management responsibility system geared to households that has been implemented in our vast rural areas has provided some experiences of universal significance. Of course, urban state-run industry and commerce differs from rural collective agriculture. This difference can be summarized in the following major aspects:

1. They differ in the level of development of their productive force and in their degree of socialization. The productive force of rural collective agriculture is low and the major tools used in it are handwork tools. It is, therefore, basically a self-sufficient seminatural economy. Generally speaking, the level of the development of urban state-run industry and commerce is much higher than that of rural collective agriculture. In the main, it is a socialized mass production of commodities established on the basis of professional division of labor. The various aspects of links of its economic activities interrelate with and interdepend on one another.
2. They differ in the degree of socialization of their ownership. The all-round responsibility system in our rural collective agriculture is mainly aimed at solving the problems related to the handling of the relations of responsibility, power, and interests between the collective and the commune members within the collectively-owned economy. The principal entities in charge of the all-round responsibility in management are the households of commune members. The responsibility system geared to urban state-run industry and commerce is aimed at solving the problems related to the handling, inside the publicly owned economy, of the relations between the state and enterprises, between enterprises, and between enterprises and their employees, particularly in the relations of responsibility, power, and interests between the state and enterprises. The basic unit in which this economic responsibility is implemented is the enterprise.
3. They differ in the degree of complexity in the management of their production. The internal structure and forms of the management in rural collective agricultural production are all relatively simple. Therefore, it is easy to divide up clearly responsibility, power, and interests. The internal structure and forms of the production and management of urban industrial and commercial enterprises are, however, complicated and diversified. The relations of responsibility, power, and interests are also much more complicated.

The above-mentioned difference has determined that the implementation of the economic responsibility system in the structural reform of our urban publicly owned industrial and commercial enterprises is much more complicated than that in our rural economy. The implementation of this system requires the coordination and synchronous development of the structural reform in other areas such as prices, taxation, credit, and wages. In distributing profits, we must manage to take into account the interests of the three parties [the state, the enterprise and the individual]. This is an aspect that differs greatly from that in rural areas. We should pay attention to diversity as well as unity in the forms of responsibility system that we are going to establish. In deciding the methods and steps in establishing the system, we should pay attention to summing up experiences through carrying out pilot projects and then gradually popularizing these experiences. Therefore, in establishing the responsibility system in our urban state-run industry and commerce, we should not mechanically copy the forms and methods of implementation of the responsibility system in our rural collective economy.

Despite the above-mentioned difference between the implementation of the economic responsibility system in agricultural structural reform and that in the structural reform of our urban publicly owned industrial and commercial enterprises, the basic principles for implementing the all-round responsibility system in rural areas remain the common principles that we must observe in implementing the economic responsibility system in our urban state-run industry and commerce. The most major of these common principles are those related to the decisionmaking power in conducting management and to material interests.

In implementing the economic responsibility system, we can adopt diversified forms in the light of different conditions. One of the basic forms of the economic responsibility system is the assigning of all-round responsibility for management by contracts. The assigning of all-round responsibility by contracts reflects the economic relations between the two parties concerned, both of which have thus shouldered a certain economic responsibility and have become respectively entitled to certain economic interests. When the terms of the all-round responsibility contracts have been fixed, the units which have undertaken the all-round responsibility through contracts are empowered to decide their own economic activities. Thus we have combined responsibility, power, and interests. From this viewpoint, the forms of assigning all-round responsibility by contract can be adapted to a relatively wide sphere.

At present, we are carrying out, in a widespread manner, the substitution of tax for profit delivery in the industrial and commercial enterprises all over our country. This is also a form of the economic responsibility system, which mainly reflects the profit distribution relationship between the state and the enterprise. The practice of the state participating in the profit distribution of the publicly owned enterprises in the form of tax collection is characterized by the following aspects:

1. It ensures the steady increase in the income of both the state and the enterprise and particularly ensures that the state will be able to get the biggest slice of the newly increased net income.
2. The implementation of the substitution of tax for profit delivery facilitates separating enterprise management from government administration. Thus, under the prerequisite of guaranteeing the fulfillment of the task in paying tax to the state and under the management of the state plan, the enterprise can relatively independently conduct its own administration and management. As a result, the enterprise will be able to shift from being a mere supplement to the administrative organizations of the state into being a relatively independent basic economic unit and commodity producer.
3. The substitution of tax for profit delivery that is being implemented at present is only a first step in the all-round reform of our taxation system. In so doing, more attention is paid to ensuring the financial revenue of the state and to fixing a tax rate for the profits that have already been earned, but nothing is done to give play to the role of

taxation as an economic lever to adjust the production of our enterprises. We should make conscientious preparations for the transition from the current forms of taxation to a thorough and perfect taxation system.

In short, no forms can ever be adapted to all purposes and at the same time prove effective. In the final analysis, the answer to the question of which form will, after all, be the best will be determined by the concrete demands of the development of the productive forces.

At present, the major problems that have cropped up in the process of the implementation of the all-round responsibility system in some state-run enterprises are: The bases for profit targets of the all-round responsibility contracts being generally on the low side; the failure of the state to get the biggest slice of the increase in profits because, if it raises the profit targets, the enterprises will take action to protect the interests that they are already entitled to, and, on the other hand, if the targets are raised to an excessively high level we will be conducting the malpractice of punishing those who have developed their production at a quicker pace; and the emergence of a new situation of burdens and benefits being unequally shared between enterprises because it is difficult to eliminate the irrational factors related to technical conditions and prices which enable some enterprises to achieve a sharp increase in profits with only a small effort and which often give rise to the phenomena that the more backward the enterprises, the lower the bases for profit targets and thus the greater the profits that the enterprises are entitled to. These shortcomings have already aroused our attention and we will sum up our experiences and lessons and overcome and correct them step by step. However, these shortcomings are not the inherent and inevitable consequence of the responsibility system. Therefore while we overcome these shortcomings which have emerged in the implementation of the responsibility system, we should also pay attention to preventing the tendency of refraining from carrying out the system because of the small risk of giving rise to the shortcomings.

#### Principle of Distributing Big, Medium-Sized, and Small Slices of Profits

What is called the problem of "big, medium-sized, and small slices" is a concrete and vivid way to express the principle of taking into account the interests of the three parties--the state, the enterprise, and the individual. Why should the state get the biggest slice in the newly increased profits of its enterprises?

In theory, the state plays a twofold role. It is not only the political entity of our socialist country, but also performs an economic function and serves as the representative of the publicly owned economy. Therefore, whether in terms of its functioning as the major entity of our socialist economy or in terms of its existence as an entity of our socialist politics, in the distribution of net income, the state must get a relatively great share, i.e. a so-called big slice, that corresponds with its position and role.



From a practical point of view, the socialist state's financial revenue should not only guarantee the defrayal of its administrative, defense, cultural, educational, medical, social welfare, and other expenditure, but also enable the state to accumulate a certain amount of funds to guarantee the needs of key project construction. If the state does not control a certain amount of funds for its key project construction, it will be unable to control the whole economic situation or to guarantee the planned development of the national economy.

The percentage of retained profit for state-run enterprises must be determined in accordance with the principle that this percentage should enable the enterprises to carry out necessary expanded reproduction by intension (including technical transformation) and appropriately to increase, on the basis of the development of production, the funds for its collective welfare. It seems that enabling our enterprises to have the financial resources that are necessary for their own development will facilitate promoting the heightening of their technological level and the development of the productive force of the whole society. However, this must be based on the prerequisite that it should not hinder the state's efforts to concentrate its funds to ensure key project construction. According to the experiences that our country has gained in implementing the economic responsibility system in the past 4 years, it seems to be an appropriate practice that our state-run industrial and commercial enterprises should hand over more than 80 percent of their profits to the state and retain only about 15 percent.

What remains for the enterprises after they have handed over more than 80 percent of their profits to the state in the forms of tax payment and profit delivery will be divided up in the proportion of 6:2:2 for production development funds, collective welfare funds, and bonus funds for individuals. This proportion tells us that 80 percent of the enterprises' retained profits will be allocated for funding their production development and collective welfare. However, we should not draw the conclusion from this that after this division of the enterprises' income, what is left after the state has taken its share belongs to the staff and workers as individuals, and that therefore the enterprises have no independent interests of their own. We must acknowledge that an enterprise, as a relatively independent economic entity, has its own relatively independent economic interests.

1) The retained profits of an enterprise is the basis that enables it to carry out its relatively independent management. This is also a financial resource that an enterprise can dispose of independently, which the state cannot transfer or take away without giving compensation, and which enterprises cannot use to aid one another without compensation. In this sense, there is a difference of ownership between enterprises. 2) By utilizing the production development funds to carry out expanded reproduction, an enterprise will earn more profits, which will enable it correspondingly to increase its own income after handing over a part of the profits to the state. As a result, the funds for the welfare of the staff and workers and the bonus payments for individuals will also increase. Thus, the difference in the quality of the management of enterprises will give rise not only to differences in production but also to wide differences in the

welfare of their staff and workers. 3) The newly increased fixed assets of an enterprise, whether they are the results of the state's investment or of the development of the enterprise's production, belong, after all, to the state. However, for a certain period of time, the production development funds and collective welfare funds of an enterprise are to be controlled and used by the enterprise and can be directly used to bring more material income for its staff and workers. It is an objectively existing fact that an enterprise, as an entity of combined labor formed by its staff and workers, has its own exclusive interests. However, if the enterprises retain an excessive or irrational percentage of their profits, this will not only have a harmful impact on the state's unified allocation and employment of funds but will also give rise to the malpractice of enterprises being assigned unequal burdens and be detrimental to the implementation of the principle of distribution according to labor.

The remuneration for the labor of our staff and workers as individuals must increase along with the development of production and the increase in labor productivity. Only by so doing can we urge our staff and workers to show concern for the development of production from the viewpoint of their own material interests. However, it is a very complicated problem to decide how big a percentage the staff and workers as individuals should get from the newly increased net profits. In principle, the increase in the income of our staff and workers should be lower than that in labor productivity. During the past few years, along with the development of their production and the increase in their profits, our various enterprises have implemented a bonus system which has played an active role in giving play to the initiative of the broad masses of staff and workers. However, as a matter of fact, many problems have cropped up in this area. 1) The payment of bonuses has become excessive and out of control. The rate of increase in the amount of bonuses exceeds that in labor productivity and profits. As a result, the funds for consumption have grown excessively quickly and the amount of currency in the society has grown to a somewhat excessive level. This has given rise to a situation of the supply of goods for consumption falling behind the increase in the affordable demands of our staff and workers. 2) In two areas, we have violated the principle of distribution according to labor in paying bonuses. First, we have practiced egalitarianism and turned bonuses into a kind of supplement to wages; and second, because the bases for the profit targets for the all-round responsibility operation of some enterprises are fixed at an excessively low level, these enterprises can obtain profits in excess of the targets without making any additional efforts. Therefore, the staff and workers have had an overpayment of bonuses. As a result, we have spent quite a large amount of money but have failed to achieve the aim of giving play to their initiative. These problems should be solved step by step through enterprise consolidation and the strengthening of our management over the fixing of quotas and also in coordination with the readjustment and reform in our wage system.

## ECONOMIC MANAGEMENT

### INITIAL RESULTS IN MAKING UP DEFICITS, INCREASING SURPLUS CLAIMED

Shenyang SHICHANG ZHOUBAO in Chinese 19 Jul 83 p 1

[Article by Chang Fengming [1603 7685 7686]: "Deficit Units Were Reduced 23.4 Percent—Our Province's Industrial Enterprises Achieves Initial Results in Making up Deficits and Increasing Surpluses--The Increase in Deficits Outside the Plan of More than 200 Enterprises Throughout the Province Also Deserves our Attention"]

[Text] Since the beginning of this year because every area and every department has thoroughly implemented the spirit of the provincial party committee and provincial government directives on firmly making up deficits and increasing surpluses, and adopted forceful measures in carrying out this work, we have achieved initial results in making up deficits and increasing surpluses in industrial enterprises throughout the province. Up to the end of May of this year, 154 fewer industrial enterprises that are within the budget have suffered deficits than for the same period last year, a reduction of 23.4 percent; and the total deficit was 15.35 million less than for the same period last year, a drop of 16.9 percent. Except for the city of Fushun where the total deficit rose, the enterprises under the control of other cities, localities or the province experienced deficit reductions to varying extents. Those enterprises under the direct control of cities, localities of the province which experienced relatively large drops include Liaoyang, Benxi, Tieling, Yingkou and Dalian. In terms of industries, there was a downward trend in deficits in all industries except the light and textile industries, which saw rises in deficits.

Currently, what deserves special attention is the increase of more than 200 enterprises throughout the province running deficits outside of the plan, which is not only affecting the realization of this year's plan for making up deficits and increasing surpluses, but, at the same time, is also affecting the realization of the struggle goal raised by the provincial party committee of basically eliminating management-created deficits within 2 years. Because of this, leadership at every level should put forth adequate effort to continue firmly the work of making up deficits and increasing surpluses. In terms of units with newly increased deficits, we should organize efforts and quickly uncover the reasons, establish plans for making up the deficits and turn the deficits into surpluses within a limited time period; if this cannot be done

within the limited period of time, then we should stop production and make adjustments; enterprises which basically have no development prospects should close down and be switched over; a policy of management contracts or deficit responsibility should be carried out at all enterprises suffering management-created deficits; and the leaders of enterprises which are incapable of overcoming deficits for long periods should be dismissed on the spot, with "enlightened persons" hired to achieve a breakthrough as soon as possible, adopting every effective measure to guarantee the completion of the task of making up deficits and increasing surpluses throughout the province.

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## ECONOMIC MANAGEMENT

### RENMIN RIBAO ON CLASSIFYING MATERIAL PRODUCTION

HK270431 Beijing RENMIN RIBAO in Chinese 16 Sep 83 p 5

[Article by Song Zexing (1345 0463 5887): "Suggestions on Classification of Material Production Into Large Categories"]

[Text] Classifying material production departments into the three large categories of agriculture, light industry, and heavy industry has been a traditional method to formulate policies, work out plans, compile statistics, and check the proportionate relationships in the national economy. This traditional classification method has the following advantages: 1) On the whole, it is similar to the Marxist theory of classifying social production into the two large categories of the means of production and the means of consumption, because heavy industrial production is basically the production of the means of production and agricultural and light industrial production is basically the production of the means of consumption; and 2) it is simple, easy to understand, and in compliance with expressions for everyday use. But it also has shortcomings. The characteristics of socialized large-scale production are: Various production departments are linked with each other in production procedures and are dependent on each other in supply and demand. For this reason, technologically and economically, they must maintain certain proportionate relationships so that social production can go forward in coordination. In classifying social production into large categories, we should do our best to reflect accurately the above characteristics so that we can observe the proportionate relationships between the categories and discover their weak links. However, the classification of material production departments into agriculture, light industry, and heavy industry is rather too sweeping and cannot reflect the above characteristics, and it is difficult for us to observe the internal relationships between various production departments. Heavy industry is a typical example. It consists of quite complicated categories ranging from energy production (coal, petroleum, and electricity) and raw material production (metallurgical materials, industrial chemicals, and construction materials), which is in the intermediate stage of social production procedures, and equipment and instrument production (various machine building equipment and instruments), which is in the final stage of social production procedures. The classification of the above various kinds of production, which are in different stages of the social production procedures, into one large category has covered up their different uses and

roles in production, the relationships linking and conditioning them, and the proportionate relationships which must be maintained between them. Moreover, in practice, the development of departments in different production procedures is often out of balance. So the classification of these departments into one large category has covered up the weak links which must be strengthened in the relevant category. In comparison with agriculture and light industry in a general manner, problems in these departments cannot be easily seen, and it is difficult for us to maintain suitable proportionate relationships. For example, for a long time in the past, we implemented the principle of giving first priority to the development of heavy industry. On the whole, heavy industry has developed by a large margin. But as an important component of heavy industry, the energy industry has not been given first priority. As a result, it has become an extremely weak link in China's national economy and is impeding the development of the whole national economy. In addition, the classification of material production departments into agriculture, light industry, and heavy industry in the above manner has excluded the building industry--which is closely related to investment in capital construction--from material production departments.

In view of the above situation, 2 years ago, the writer wrote an article (please refer to *RENMIN RIBAO* 2 Mar 81, p 5) suggesting a change in the traditional classification of material production departments into agriculture, light industry, and heavy industry. He suggested that material production departments be classified into the three large categories of the production of initial or basic products (then called primitive products), the production of intermediate products, and the production of final products according to the order of urgency in social production. The first large category includes agriculture, forestry, animal husbandry, sideline production, fishery, and the exploitation of energy (coal, petroleum, and electricity) and mineral products; the second large category includes metallurgical production and the production of industrial chemicals and construction materials; and the third large category includes the production of products which requires investment (the production of equipment and instruments and the carrying out of construction), and the production of consumer products (the production of consumer products which takes agricultural products as its material and the production of consumer products which takes mineral products and their processed products as its material). Such a classification method can reflect the fact that various departments of the above-mentioned socialized large-scale production are linked to each other, are dependent on each other, and are restricting each other. It will enable us to observe the proportionate relationships between the large categories and to find out weak links among them. As far as China's present actual condition is concerned, agriculture and the exploitation of energy and mineral products are weak links in the national economy. Great importance must be attached to their construction. In the past, due to the implementation of the principle of giving first priority to the development of heavy industry, there was a comparatively great development in the production of the intermediate products listed in the second large category (metallurgical production and the production of industrial chemicals and construction materials) and in the production of the products listed in the third large category (the production of equipment and instruments and the carrying out

of construction). They have a solid foundation. But as far as the present condition is concerned, technical innovations must be carried out in these branches. The consumer products listed in the third large category have been overlooked for a long time. They are backward and must be energetically developed so as to meet the people's material and cultural needs, which are increasing daily. The classification of the production of final products into the two large categories of the production of products which requires investment and the production of consumer products can enable us to calculate national income in a more convenient manner (because the total value of final products is composed of the amount of national income and depreciation funds) and can enable us to observe in a more effective manner whether enterprises' structure is suited to the proportion of distribution of national income in accumulation and consumption.

Of course, the above classification method has its shortcomings. For example, ordinary people are not familiar with the concepts of initial or basic products, intermediate products, and final products, which are not closely related with the classification method people have got used to. So, people will find it difficult to accept. Furthermore, like the classification of material production departments into agriculture, light industry, and heavy industry, any classification of material production into large categories will inevitably cover up the imbalance of development between various production departments belonging to the same category. It will not facilitate the observation of the proportionate relationships between certain small categories of the same large category and other large categories or between certain small categories of the same large category and other small categories. These are the limitations of any classification of material production into large categories. To observe more accurately the proportionate relationships between various departments, it is necessary to compile a table showing the balance of relationships between departments belonging to various small categories or to work out an analytical method concerning input and output. But to observe the principal proportionate relationships in the national economy in a macroscopic manner, it is necessary to classify material production departments into large categories. The problem is that we must select a rational classification method which is beneficial to analyzing the macroeconomy and which can be compared with that of other countries and accepted by the people and economic policymakers. For this reason, I would like to change my former classification of material production departments into the following six large categories (the basic principle for classification remains unchanged):

1. Agriculture (agriculture in a broad sense, which includes forestry, animal husbandry, sideline production, and fishery). This is the foundation of the national economy.

2. The energy industry, which includes the exploitation of coal and petroleum, hydropower, thermal power, nuclear power, and other kinds of energy. Energy is a key factor in modern production and modern life. It is a weak link in our national economy, and is impeding the development of the whole national economy. It must be regarded as an independent, large category so as to observe the proportionate relationships between itself and other production departments.



3. The materials industry, which includes the mining, smelting, and processing of mineral products. It supplies raw materials for various kinds of production (including the building industry). It is the intermediate products industry. Metallurgy, industrial chemicals, construction materials, and products for agricultural use (chemical fertilizers and agricultural chemicals) belong to this large category.

4. The equipment and instruments industry, which includes the production of machinery, electrical equipment, and instruments used by departments carrying out construction projects, communications and transportation work, and scientific and technological experiments. The marketing and distribution of products whose production requires investment and which belong to the final products produced by these departments will form the fixed assets of the national economy.

5. The building industry, which undertakes productive construction (the construction of factory buildings, dikes, highways, railways, and ports), housing construction, and other nonproductive construction. What this industry produces are also final products, whose completion will form the productive and nonproductive fixed assets of the national economy.

6. The consumer products industry, which includes both industry which takes agricultural products as its raw material and industry which takes mineral products and industrial chemicals as its raw material. What this industry produces are also final products. The greater part of the consumption funds in national income is realized through the production and marketing of the products of this category.

In economic construction to be carried out for a long time in the future, the above six categories should be arranged in the following order: Agriculture, the energy industry, the consumer products industry, the materials industry, the equipment and instruments industry, and the building industry. Great importance must be attached to the construction of agriculture and the energy industry (as well as to the construction of communications and transportation, which are the extension of material production in the circulation field); the development of the consumer products industry must be accelerated; and technical innovations must be carried out in the materials industry, the equipment and instruments industry, and the building industry.

The above classification method has several advantages. First, it has absorbed the good points of the classification of material production departments into agriculture, light industry, and heavy industry. For example, agriculture is still regarded as an independent large category. Although the classification principle concerning the means of consumption and the means of production has not yet been thoroughly implemented (agricultural products can be directly used for consumption and as raw materials for other production departments), agriculture has a particularly important position in the national economy. It is necessary to regard it as an independent category. Let us give another example. The original light industry has been changed into the consumer products industry. Classifying industry into light and heavy industries is a method which



stems from past habits. Although in content light industry does not utterly tally with the consumer products industry, the concept of light industry was used just because it basically consists of consumer products. Therefore, it would be better to directly use the term of the consumer products industry.

Second, the classification of material production into the energy industry (which supplies fuel and motive forces for various departments), the materials industry (which supplies raw materials for various departments), the equipment and instruments industry (which supplies production and experimental instruments for various departments), and the building industry (which undertakes construction projects for various departments) is based on the different uses and roles of the means of production. It can enable us to observe more accurately the relationships linking and conditioning various major departments and the necessary proportion which must be maintained among these departments. This is different from classifying the above means of production into one large category--heavy industry--thus neglecting the different uses and roles of the various means of production and covering up the imbalance of development and weak links between the means of production. As a result, the classification is detrimental to the readjustment of the principal proportionate relationships and of enterprises' structure.

Third, regarding the building industry as an independent category has particularly important significance. This is due not only to its being an important component of material production, but also to its being directly related to investment in capital construction. The civil engineering projects of the latter are undertaken by the building industry. Whether the technological equipment and the distribution of technology and labor of the building industry are suited to the scale of capital construction is an important criterion for examining and formulating plans for investment in capital construction. Moreover, this department is a department which consumes a large quantity of fuels, power, metals, and construction materials. It is closely related to the energy industry, the materials industry, and the equipment and instruments industry, and is an important aspect for examining whether the scale of capital construction is suited to the national strength.

It seems to be a bit superfluous to change the original three categories of agriculture, light industry, and heavy industry into the above six categories. But this is a necessity for scientifically analyzing the principal proportionate relationships between material production departments and for carrying out a macroeconomic analysis. Comparing the categories of agriculture, light industry, and heavy industry with the six categories, we know that the latter have included the building industry. This, as mentioned above, is a necessity for analyzing the principal proportionate relationships between material production departments. Moreover, heavy industry is divided into the three categories of the energy industry, the materials industry, and the equipment and instruments industry. This, as mentioned above, is due to the different uses and roles of the three categories in social production. Without such a

classification, we cannot scientifically analyze the principal proportionate relationships in social production. For example, in 1982, because the scale of capital construction throughout the country was excessively expanded, heavy industrial production rose sharply, causing a 9.9 percent increase over that in 1981, while light industrial production increased by only 5.7 percent instead of the 7 percent which had been planned. But the expansion of the scale of capital construction has different affects on the various component parts of heavy industry, and the latter's adaptability to the former also varies. The calculation provided on pages 37 and 45 of the "China Statistical Summary--1983" shows that in 1982, the total output of energy (evaluated in terms of standard fuel) increased by 5.6 percent over 1981, the total output of the metallurgical industry, which basically belongs to the materials industry, increased by 6.2 percent, the total output of the building materials industry increased by 14.1 percent, the total output of the chemical industry increased by 11.4 percent, and the total output of the machine building industry, which basically belongs to the equipment and instruments industry, increased by 13.4 percent. All this shows that the adaptability of various heavy industrial departments to the expansion of the scale of capital construction varies. The total output of some heavy industrial departments increased by a large margin, and the total output of some other heavy industrial departments increased by a small margin; some heavy industrial departments were weak, and some still had surplus equipment. If we further expand the scale of capital construction, the adaptability of various heavy industrial departments will also change in varying degrees, more weak links will emerge, and there will be a shortage of materials and equipment. If we observe the total figures of heavy industrial production in a general manner, we will not be able to see the serious problem of the imbalance of development between various heavy industrial departments.

Does the classification of material production departments into the above six categories cause difficulties to statistical work? Agricultural output value and the project value realized by the building industry can be calculated in an independent manner. The problem is how to break up industrial output value into the four categories as put forward above. The classification of industry into the two categories of light industry and heavy industry was originally optional to a certain extent. Therefore, as long as we classify enterprises into the two categories of light and heavy industries according to habit, we will be able to break up industrial output value. But the classification method I have proposed here is based on the different uses of enterprises' products. Some enterprises, and some joint enterprises in particular, produce products for various uses. If the classification of their products is based on the output value of the enterprises as a whole, we will meet with certain difficulties. But it will be easier for us to solve the technical problem of working out a principle concerning, for example, the classification of the main products of an enterprise according to their use.

Lastly, I would like to say that the above discussion is confined merely to the problem of how to rationally classify material production departments into several large categories. With regard to realizing the coordinated

development of the national economy, we must maintain a rational proportion not only within material production departments themselves, but also between material production departments and circulation departments, and, in particular, between communications and transportation departments and commercial departments. Furthermore, service departments of the national economy, and scientific, educational, cultural, and health departments in particular, must develop correspondingly following the increase in production. It is absolutely correct that the strategic key point of the 12th CPC National Congress is to develop, besides agriculture and energy, communications, education, and science.

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## ECONOMIC MANAGEMENT

### INTERPROVINCIAL ECONOMIC, TECHNOLOGICAL COOPERATION LAUNCHED

Fuzhou FUJIAN RIBAO in Chinese 3 Jul 83 p 1

[Report by Lin Mingkan [2651 6900 0170] of the Provincial Government Office: "Hunan, Jiangsi and Fujian Launch Economic and Technological Cooperation"]

[Text] In order to speed up the development of economic construction in Hunan, Jiangsi and Fujian, the leading personnel of the three provinces exchanged ideas in Beijing and on 30 June signed the "summary" concerning the issue of economic cooperation and technological exchange among the three provinces.

The three provinces of Hunan, Jiangsi and Fujian are neighboring regions. In socialist economic construction, they all have their own superiorities. Hunan and Jiangsi have a relatively good foundation in heavy industry and relatively abundant grain, agricultural sidelines products and mineral resources. Fujian has better conditions for developing light industrial products and is a province where the party Central Committee has determined to implement special policies and flexible measures. To actively organize economic cooperation and technological exchange among the three provinces, establish a cooperative relationship over a long period of time, on a broad scale and on the basis of mutual benefit, learn from one another's strong points to offset one's weaknesses and strive for prosperity together--all these are of important strategic significance in speeding up the development of the national economy of the three provinces and in bringing about new prospects for socialist modernization.

The leading personnel of the three provinces held that launching economic and technological cooperation must be favorable to the needs of economic readjustment and, under the planning and guidance of the state, give play to the enthusiasm of the localities, take into consideration their respective needs and possibilities, adopt flexible and multiple forms to organize and launch cooperation in the exchange of production technology, import-export trade and import of advanced technology and equipment; regulate the surplus and shortage of goods and materials, exchange economic, technological and scientific information, and help supply one another with news regarding the domestic and foreign markets. Through cooperation and joint investment in setting up factories, join together in exploiting resources, processing imported materials



on commission, and absorb, digest and create together the newly imported advanced technology and equipment, transfer to the hinterland the advanced technology that is appropriate for use there, push forward technology transformation and enhance the development of the economy of the three provinces.

In launching economic and technological cooperation among the three provinces, the most important factor is communications. Thus, we must speed up the building of railroads, expand transportation capacity, give full play to the superiority of Fujian as the port and open up the new channel of sea transportation for the three provinces.

Through adequate consultation, the three provinces have preliminarily proposed 32 projects of economic cooperation and technological exchange among the three provinces at present. They will be specifically studied by the concerned economic departments of the three provinces and put into effect as soon as possible.

9335

CSO: 4006/684

## ECONOMIC MANAGEMENT

### PRODUCTION OF MARKETABLE PRODUCTS INCREASES

Shanghai WEN HUI BAO in Chinese 3 Jul 83 p 1

[Report: "Vigorously Increase the Production of Marketable Products"]

[Text] The industrial and commercial departments of this municipality are cooperating closely in actively increasing the production of marketable products in accordance with market demand. In early and mid-June, the light industrial, textile industrial and handicraft industrial bureaus scored an average increase of 5.6 percent in their production level compared to the corresponding period of the preceding month. There was a new increase in key market commodities throughout the municipality. The output of television sets, bicycles and printed and dyed cloth increased 10.7, 12.5 and 7.6 percent, respectively, over the same period of the preceding month.

Since the beginning of this year, a new situation appeared on the market in which industrial production was unable to catch up with the rapid change in demand. From January to May, the amount of retail of social commodities throughout the municipality increased 12 percent compared to the corresponding period of the preceding year. Among that, edible commodities increased 6.8 percent, clothing commodities increased 19.9 percent and consumer goods increased 13.9 percent. What will be the trend of the market in the latter half of the year? The industrial and commercial and the industrial and trade departments have strengthened their alliance and, through such activities as looking at sample products, convening symposiums and conducting market surveys, understood from various aspects the situation of demand of the market of this municipality as well as the domestic and foreign trade markets. In the latter half of the year, Shanghai business will become more brisk and the sales of commodities will further increase. But some commodities are still in short supply. On the domestic market, Shanghai's commodities are selling well and the contradiction between supply and demand is very prominent. The total value of export-commodity procurement throughout the municipality this year is gradually picking up, and the export business from January to May this year has increased 7.3 percent compared to the same period last year. These three markets all need a large amount of commodities in short supply.

In light of these new conditions that have appeared on the market, the industrial departments have readjusted the product structure and increased the production of marketable varieties.

The light industrial bureau has worked hard to increase the production of the 10 key products on the market, including bicycles, sewing machines and watches, and 80 varieties in short supply. Cameras have increased by some 20 percent, and pressure thermos flasks and the Umbrella brand high-grade laundry detergent have doubled in production; while unmarketable products, such as alarm clocks and light-weight thermos flasks, have decreased in production. In light of the shortage in supply of some textile varieties and the relative concentration in the demand of goods by domestic and foreign trade, the textile industrial bureau has actively adopted the measures of changing from producing 100 percent cotton to producing polyester/cotton, from producing colored cloth to producing cotton print and from producing narrow-width cloth to producing broad-width cloth, thereby increasing the production of polyester/cotton cloth. The cotton textile company and the No 2 knitting company have accelerated the turnover of some 4,000 looms and the printing and dyeing trade has tried each and every means to tap potentials for increasing production shifts. The handicraft industrial bureau has put its emphasis on 35 hot items.

The light industrial and textile industrial bureaus and the commercial and foreign trade units of this municipality have supported one another and worked in close coordination to ensure market supply. In light of the situation of popular sales of Shanghai's high-grade iridosmine pen, the pen manufacturing company under the light industrial bureau readjusted the varieties of iridosmine pen without delay and satisfied the needs of the multilevel consumption. The towel and bedspread industrial company decided to tap potentials and increased the production of bedspreads by 100,000 pieces, and helped the knitting station to solve the difficulty of shortage of goods without delay.

9335

CSO: 4006/684

## ECONOMIC MANAGEMENT

### TECHNICAL REFORM OF MACHINE-BUILDING INDUSTRY

HK080428 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 83 pp 7-9

[Article by Zhou Jiannan, minister of PRC Machine-Building Industry: "Do a Good Job in the Technical Reform of the Machine-Building Industry"-- passages within slantlines published in boldface]

[Text] The 12th CPC National Congress has put forth the great task of "creating a new situation for the socialist modernization program in an overall way" and the grand goal of quadrupling the gross national industrial and agricultural output value by the year 2000. In addition, Premier Zhao also said that the goal of quadrupling the value can in no way be attained if it is based on old technology, old equipment, old materials, old technical process, and old products, and that we must therefore rely on technical progress. He also pointed out that our national economic departments must be able to gradually popularize the use of the advanced technology of advanced countries in the 1970's and early 1980's that is suitable to our country. The spirit of the 12th CPC Congress and the instruction of Premier Zhao have made more clear the heavy historical task of the machine-building industry. It represents a major strategic task for the machine-building industry to supply the various national economic departments with advanced technology and equipment.

The machine-building industry itself must be able to make earlier development before it is in a position to fulfill this glorious and arduous task. The machine-building industry must be able to make advance progress in the following two main aspects.

/First, the machine-building industry must begin before other departments to study and develop mechanical products./ A certain cycle of studying and manufacturing is required before we are able to develop new products while another period is needed by the product consumers for installing the equipment, trying it out and then into formal production, and in reaching the design capacity. Even more time is needed in studying and manufacturing complete sets of major equipment and in installing and trying them out and formally producing them.

Take as an example the situation of the first set of the equipment designed by the country with a capacity of producing 300,000 tons of synthetic ammonia



and 240,000 tons of urea that has been installed in the Wujing chemical factory in Shanghai. The production of this equipment began in 1974 when 14 research institutes, 4 institutes of higher learning, and 120 factories were organized to carry out study and manufacturing. This took 6 years to complete. The situation is the same for the production of big generating equipment and steel rolling equipment. Therefore it is necessary for the state to define as early as possible the long-term major engineering projects and work out the policy for technology and equipment so as to create the necessary conditions for the machine-building industry to begin study and designing before the others.

The machine-building industry is also making a great number of single machines and series of products; most of these products are technically backward and they must be rapidly upgraded and replaced. Initial analyses showed that of the existing 31,000 types of mechanical and electrical products that are produced by the departments under the Ministry of Machine-Building Industry, 13,000 have to be renewed, making up 42 percent of the total, while 13,600, or 44 percent, have to be improved. It is expected that by 1990, we will be able to develop 10,000 types of new products. Therefore effort must be made as early as possible to trial produce these products. The renewals are even more urgent for the 12 products that are under mass production which have many consumers and high energy consumption, such as industry-oriented boilers, medium and small-size transformers, electrical machinery, and industry-oriented pumps, vehicles, and tractors. The energy consumed by these products is about 90 percent of the total energy consumption of vehicles across the country, 40 percent of total diesel oil consumption, 33 percent of total coal consumption or 54 percent of total electricity consumption. To rapidly improve the technical level and cut down the energy consumption of these products are very important for rising social economic efficiency and rapidly developing the national economy.

As various national economic departments must by the year 2000 popularize the advanced technology that was used by advanced countries in the 1970's and early 1980's and that is suitable for our country, it is all the more important that the machine-building industry reach this technical level several years in advance because it is only in this way that the industry will be in a position to provide consumers with suitable and advanced technology and equipment.

/Second, the technical reform of the machine-building industry must begin earlier than the others./ We did not pay much attention to the renewal of equipment for quite a long period in the past, while the production methods and technology of the machine-building industry are in general relatively backward, and this situation does not meet the requirements for producing advanced products. Quite a great number of mechanical products are under mass production. Therefore, even if we are able to trial produce certain samples of mechanical products, we still cannot turn this achievement into a productive force if technical reform is lagging behind and fails to provide conditions for mass producing new products. Therefore it is imperative to technically reform part of the equipment, technology, and the methods of testing in due time, in a planned way, and with certain key items.

It can be said that for the machine-building industry, to begin technical reform earlier than other departments will create the necessary material conditions for the study and manufacture of products in advance that are helpful in pointing out the direction and goal of technical reform.

The CPC Central Committee and the State Council are very much concerned about the technical reform of the machine-building industry. Premier Zhao Ziyang pointed out on a number of occasions that for the machine-building industry, to carry out technical reform represents an important measure for its development. The machine-building industry must begin its technical reform earlier than other departments. The "regulations on trial technical reform in the machine-building industry," which was worked out under the guidance of Comrade Bo Yibo, has been made known to the lower levels by the State Council in March 1982. And following the announcement of the "regulations," we mainly did the following work. First, we unified understanding and shifted from the principle of extensively expanding productivity as the main task to the principle of intensively carrying out technical reform; second, we investigated market demand for major products, analyzed the weak links in production and the conditions that have to be supplemented for upgrading and replacing products, and defined the planning for technical reform through the concerted efforts of the higher and lower departments; third, we carried out the technical reform in some major enterprises so as to gain experience. The "regulations" were later amended after 1 year of trial implementation and have recently been announced by the State Council for formal implementation. In order to further implement the "regulations" and do a good job in technical reform and on the basis of the previous situations, we are considering taking the following measures:

/First, do a still better job in technically reforming key enterprises with the purpose of improving the technical level of the products and social economic efficiency./

The purpose of the technical reform of the machine-building industry is to improve quality, technical level, and varieties so as to raise economic efficiency (these are called the three improvements and one raising). Therefore, while it is necessary during the sixth 5-year plan to properly expand the production of certain products that are in short supply and combine this expansion with technical reform, concerted efforts must be made not in expanding the productivity of products in general but in selecting certain key enterprises and scientific and research units to carry out technical reform in such aspects as improving the quality of the mass-produced and widely used products, energy-saving products, major sets of equipment that are urgently needed by the national economy, key basic parts and basic machinery, expanding the production of export-oriented products, and improving production technology such as casting, forging, welding, electroplating, and heat treatment. Overall consideration must be given to main machinery, support machinery, and factories that are making complete sets of equipment. It is also necessary to form "a concerted sequence" in each link, such as scientific research, design, and manufacture. Weak links must be resolved and what is in short supply must be supplemented.

In particular, efforts must be made to add processing equipment and create more testing conditions and checking methods for key technology so as to properly use the limited expenditures for technical reform and achieve efficiency as early as possible.

According to our experience, in carrying out technical reform it is very important to technically reform the products that are marketable and advanced. In order to attain this goal, it is necessary to do a good job in upgrading and replacing products and trial producing new products so as to begin production as early as possible. This situation is the premise of technical reform. In order to speed up the technical reform process, it is imperative to organize the technical forces of research units, design institutes, factories, and institutes of higher learning so that they will be able to closely coordinate in making technical breakthroughs. The set method of combining study, testing, designing, manufacturing, installing, and using and repairing must be popularized. The three-in-one combination of workers, technicians, and leading cadres must be followed. It is also necessary for testing and research units, design and manufacturing units, and consumers to cooperate so that through their concerted efforts, the technical level of mechanical products can be improved.

/Second, technical reform must be carried out in connection with international standards, scientific and technical breakthroughs and imports of technology, and overall planning must be made so that all of these can be carried out in a unified way./

All these works have very close interrelationships and represent important measures for promoting technical development. If each of these does its own work without coordination, the technical reform and its results will be affected. We believe that in order to improve the quality and technology of mechanical products, it is imperative to gradually use international standards. Therefore we must continue to do a good job in collecting, translating, and transferring international standards, concentrate our efforts in digesting, comparing, and finding the difference, define the related measures, and amend our standards. These works involve such aspects of technical reform as making a series of technical breakthroughs and supplementing key equipment and testing methods. Therefore these works must be carried out in a unified way.

We must lose no time and quicken the pace of improving technology. Practice by a number of enterprises proved that importing technology is an important method to rapidly improve the level of mechanical products and the ability of self-reliance. But in importing technology we must consider the conditions for digesting and putting the technology into production. This must be accompanied by technical reform.

When we are working out the planning for the items of technical reform, it is necessary to make an overall arrangement in a unified manner by combining key imported items with international standards and the items for making

technical breakthroughs in our efforts to have a unified goal, coordinate and improve efficiency, and expand our achievements. It is also necessary to combine environmental protection with overcoming the "three wastes."

/Third, integrate technical reform with reorganization of the machine-building industry./

Irrational and repetitious construction and production and "big and all-embracing" and "small and all-embracing" factories are long-standing problems in the machine-building industry. According to our experience, it will be very difficult to popularize the application of new technology, new technical processes, and new equipment unless we organize coordination in the production among specialized departments. To carry out technical reform on the basis of rational organization and management will enable us to get twice the result with half the effort in modernizing production technology. Therefore, in defining the items of technical reform, we must make proper arrangements for the enterprises that are producing parts and that are carrying out specialized technical production so as to form a number of backbone coordinated enterprises that are characterized by higher specialization, better production equipment, more advanced technology, mass production, and lower costs. For example, we may do a good job in such technologies of specialized production as casting, forging, welding, electroplating, and heat treatment so that in the later 3 years of the sixth 5-year plan, we will be able, through key technical reform, to form a number of backbone enterprises and cancel almost 5,000 factories and production points that are characterized by high energy consumption, backward technology and low quality. In this way, we will be able not only to do a good job in technical reform but also to provide a material foundation for reorganization and to consolidate the achievements of the reorganization to create a new situation in production technology.

/Fourth, strengthen management and form a responsibility system to implement the planning for the technical reform of the machine-building industry./

In the previous period, we conscientiously did a good job in expounding and proving the technology and studying the feasibility of the major items of the technical reform that were defined by the state and the Ministry of Machine Building, and on this basis we now continue to do a good job in working out the documents for planned tasks and investigating and approving the initial designs for expansion so as to avoid a situation in which the projects that are carried out quickly will produce the products that are yet to be finalized, technically immature and economically irrational, and consequently cause waste.

With regard to the major items for technical reform that have been included in planning, it is necessary, with regard to the necessary key equipment, to make prior arrangements in production or make arrangements in importing such equipment on the basis of defining the pace of the reform on an annual yearly basis. A good job must be done in such aspects as funds, blueprints, materials, equipment, and construction forces. Following the completion



of the major items of technical reform, it is imperative to check and approve the projects and make an overall assessment of the efficiency of technology and economy.

In order to guarantee that the technical reform will be carried out smoothly, we must set up and perfect the technical reform management system from the top levels to the lower levels. The units under the ministry such as various bureaus, machine-building offices (bureaus), companies, and key enterprises for carrying out technical reform must assign staff that will be totally responsible for the technical reform work; there must also be persons who are responsible for various related matters such as key projects, technology, design, production technology, production, equipment and power, capital construction and finance. It is also imperative to take measures so that the various works, such as the effort of making scientific and technical breakthroughs, importing technology, finalizing trial production and formally producing products, selecting plans for the technical process, defining, implementing and checking technical reform planning, the use of the expenditures for technical reform, and organizing mass production, can be carried out in "a concerted sequence."

On the basis of implementing the "regulations," we have worked out the management methods for strengthening reform work procedures and responsibility and rights for various matters from working out plans to testing and approving the completed projects. All these are now under trial implementation by various units under the ministry.

/Fifth, fully mobilize the various forces so as to do a good job in technical reform./

Under the guidance of state planning for technical reform, the funds that are needed for the reform should be raised mainly by localities and the enterprises themselves and with the support of bank loans. Last October, we suggested increasing the depreciation rate of the key enterprises that are carrying out technical reform, refunding to the machine-building industry the depreciation funds that are handed over by the enterprises (including those handed over to the state and localities) and to make unified arrangements according to plans; we also suggested that banks should give preferential loans. Last year, Anhui Province began to refund 20 percent of the equipment depreciation funds to the enterprises that have been defined as key enterprises for carrying out technical reform during the sixth 5-year plan. This move has effectively mobilized the initiative of the enterprises in carrying out technical reform. At the same time, the production development funds that are retained from enterprise profits must be used in key links so as to enable the machine-building industry to develop harmoniously and to produce the necessary and complete sets of equipment.

CSO: 4006/022

## FINANCE AND BANKING

### SAVINGS DEPOSITS OF RURAL, URBAN AREAS REPORTED

Beijing JINGJI RIMAO in Chinese 23 Jun 83 p 3

[Report by Yao Kaiqi (1202 7030 0967): "The Savings Deposits of Urban and Rural Residents Throughout the Country Have Reached Some 75 Billion Yuan"]

[Text] The statistics of the People's Bank of China show that from 1979 to 1982 the savings deposits of the urban and rural residents throughout the country have increased by some 46.48 billion yuan, registering an increase of 2.2 times over that of 1978. This year, from January to May, an increase of some 7.77 billion yuan was again scored, showing an increase of some 1.22 billion yuan over the same period last year and registering a peak record in history. By the end of May, the balance of the savings deposits of the urban and rural residents has reached some 75.31 billion yuan. At the same time, the deposits have become more and more stable. Among the deposits of the urban and town residents, 81.2 percent were fixed deposits. Among the deposits of the commune members, 70.8 percent were fixed deposits.

In recent years, the banks have closely integrated the development of savings with the guidance of consumption. In order to help the masses to accumulate their purchasing power, arrange their economic lives in a planned manner and realize consumption in a better manner, on the one hand, they set up additional types of savings that were suitable for and popular among the masses, widely launched incidental deposits and lump-sum withdrawals, and offered favorable terms and convenience in the interest rate and the deposit-withdrawal procedures. Through these savings, many people have purchased medium- or high-grade durable consumer products. On the other hand, they actively expanded the scope of their business, and set up consumer savings and loans in order to offer loan support to depositors who were short of funds in purchasing durable consumer products or in purchasing, building or repairing their homes. This not only solved the difficulties of the depositors, but also enhanced the development of savings.

In the last 2 years, the banks have vigorously increased their savings network outlets. The urban and town savings network outlets have been increased to some 3,400 outlets. By the end of 1982, there were already some 14,200 savings banks and special savings counters.

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## FINANCE AND BANKING

### CALL TO CONCENTRATE ECONOMIC RESOURCES MADE

Beijing JINGJI RIBAO in Chinese 14 Jul 83 p 1

[Article" A Strategic Decision of Far-reaching Significance--On Concentrating Financial and Material Resources To Guarantee Key Construction"]

[Text] Concentrating financial and material resources to guarantee key construction is a tremendous strategic policy decision made by the party Central Committee under the new circumstances. The significance of this policy decision is very far-reaching in terms of promoting the healthy development of economic construction, in terms of achieving the revitalization and long-term order and stability of the state and in terms of raising the living standards of the people in the future. We hope that all party comrades, but first and foremost those leading cadres at every level, will delve into study, deepen their understanding and lead the masses in resolutely carrying it out.

It has been about 1 year since the 12th CPC Congress concluded. From our practice in carrying out the 12th CPC Congress resolutions, we have further realized that the strategic goals, points and procedures raised by the 12th CPC Congress are correct and are suited to our nation's actual conditions, and that, under the premise of improving economic results, the goal of quadrupling the total value of industrial and agriculture output by the year 2000 is completely achievable. Of course, if we want to realize this great goal, the entire party and the people of the entire nation must still carry out a long, arduous struggle, making extreme efforts. One of the most pressing and important pieces of work involved is the need to do a good job of key construction, taking energy and transportation to be the focus. Now, we are seeing more and more clearly that energy and transportation are two big factors restricting the development of our national economy. If we do not firmly place energy and transportation in priority positions, we will be without motive power, without raw materials, with transport stalled and circulation stopped up and we will be wasting efforts no matter how many processing industries we get into. To put it in more serious terms, without key construction, there is no hope for the four modernizations.

The characteristics of key construction are large investment, long construction turnaround time, and many coordinated projects, and it is too difficult for one area to handle alone. Only by concentrating the financial resources of the

entire nation and having the party Central Committee handle things can we do a good job. Bring together the fur to make the coat and gather the sand to build the tower is reasoning completely suited to doing key construction. The problems that have occurred in key construction in recent years are that the scale of investment in capital construction outside of the budget has gotten larger and larger and the tight situation in energy and transportation has gotten worse, not better, creating shortages of major materials like steel, lumber and cement. In particular, in the last few years, production has developed, the national income has increased, but the fiscal income of the state has not increased correspondingly. The insufficiency of financial and material resources has already affected the progress of key construction, and we must quickly adopt forceful measures to rectify matters.

We have successful experience with concentrating financial and material resources to guarantee key construction. The 156 key engineering projects of the "First 5-Year Plan" period were victoriously completed quickly and well, relying only upon the centralized leadership of the party Central Committee and the strong support of every area throughout the nation. For a large nation with a population of 1 billion like ours, concentrating financial and material resources is fully achievable. If every person produces just a bit more and conserves just a bit more, then what is concentrated will amount to a great deal and we can handle several great matters that will bring prosperity to our posterity. For the long-term benefit of the state and the people, we must concentrate our limited financial and material resources and apply them to the most pressing areas in our national economic development. Improve the energy situation, improve the transportation situation, improve education and scientific research, lay a firm foundation for revitalizing the economy and create advantageous conditions for quadrupling the total value of industrial and agricultural output.

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## FINANCE AND BANKING

### CALL TO CONTROL ACCUMULATION, CONSUMPTION MADE

Beijing JINGJI RIBAO in Chinese 18 Jul 83 p 1

[Article: "Accumulation and Consumption Must Be Part of Overall Planning-- A Second Talk on Concentrating Financial and Material Resources To Guarantee Key Construction"]

[Text] Concentrating financial and material resources to guarantee key construction is a tremendous strategic policy decision made by the party Central Committee under the new circumstances. To correctly and thoroughly carry out this policy decision we must certainly do a good job at handling accumulation and consumption.

In order to correct the past "leftist" mistake of one-sidedly emphasizing economic construction and neglecting the lives of the people, the state, in the last few years, has put forward its greatest effort and adopted a series of measures to raise to a fairly great extent the purchase prices of agricultural sideline products, to expand employment in cities and towns, to adjust worker wages, to carry out bonus systems, to increase residential investment, etc. And the people's lives have clearly improved, something which the broad residents of both urban and rural areas have personally felt. We should acknowledge that it is necessary that the state adopt these measures.

A serious problem at present is the rapid rise in accumulation and consumption, which together exceed the national income, and this leads to tight state finances. In terms of accumulation and consumption themselves, the overall rate of present capital construction investment is too rapid and direct arrangements in the national budget for key investment are too few. One important reason for this situation is that in the initial allocation of the national income funds are severely dispersed and state revenues are too small. Some persons only think of improving their lives and do not care about state construction; or think more of enriching themselves or the small collective, and less of enriching the state. Some areas, departments and units do not look to state plans, sabotaging financial discipline, undermining the foundation for socialism and supporting enemy nations. It is worth noting that the phenomenon of only caring to enrich oneself and the small collective and not to enrich the state has already created, in the allocation of national income, a tremendous reduction in the proportion of state revenue. In 1982, state fiscal income

only stood at 25.5 percent of national income, reaching the lowest point in history. So far this year, the situation has not yet basically turned around. From January to May, our nation's total value of industrial output increased 8.2 percent, while fiscal income only increased 0.1 percent. If this situation does not change, state key construction cannot be guaranteed.

Our nation is large, with a large population, a thin base and a low level of production, with a per capita income that is lower than that of more than 100 nations in the world. We carry out socialist construction with this as our basic national situation. With this in mind, in terms of improving economic construction and the lives of the people, we must, in the manner of seeking the truth from facts, arrange our efforts based on our capabilities while keeping expenditures within the limits of our income. Comrade Chen Yun once said: "The lives of the people must improve. First, they must eat and they must eat their fill, not going underfed, but not eating too well. Second, there must be construction. If a nation consumes everything, then it has no hope for the future. Only after eating its fill, can the nation have strength to construct. Only in this way is there hope." These remarks are a complete exposition of the relationship between expanded reproduction, on the one hand, and improving the people's lives and raising accumulation and consumption, on the other. At present and for a while, we must at the same time control accumulation and consumption and preserve a balance between overall social production and overall social needs, while adjusting distribution policies to concentrate the financial and material resources of the entire nation appropriately, reduce and stabilize ordinary construction and guarantee the needs of key energy and transportation construction. This requires that we rationally distribute national income, increase state fiscal income as a proportion of national income and handle accumulation and consumption in a unified way.

Accumulation is the most basic resource for expanding reproduction. Our appropriate concentration of financial resources and guaranteeing of key construction is a true utilization of the basic principle of Marxist reproduction. The reasoning is perfectly clear, key construction moves ahead and production is expanded and the ultimate goal is still to satisfy the daily increasing material and cultural needs of the people. Only by continually expanding production can the material and cultural needs of the people be satisfied to the fullest extent.

Correctly handling the relations between accumulation and consumption is an important task if we are to carry out the tremendous policy of the party Central Committee of appropriately concentrating financial and material resources and guaranteeing key construction. If the accumulation rate is too high and we neglect to improve the lives of the people, this is incorrect; similarly, one-sidedly and inappropriately expanding consumption funds is incorrect. Raising the living standards of people in both urban and rural areas depends on developing production. Otherwise, improvements in the lives of the people are but trees without roots or water from a source now dry. From now on the people's lives will continue to improve, but the rate of improvement cannot exceed the rate of economic construction and the rate of increase in labor productivity. If the state does not prosper, then the people do not prosper. In wanting to guarantee both key construction and improve the lives of the people, the only correct policy is to make accumulation and consumption part of overall unified planning.

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CSO: 4006/726

## FINANCE AND BANKING

### GANSU PROVINCIAL FINANCIAL WORK MEETING

K300625 Lanzhou GANSU RIBAO in Chinese 14 Sep 83 p 1

[Report: "Provincial Financial Work Conference Puts Forward Retrenchment Measures To Ensure a Balanced Budget"]

[Text] The provincial financial work conference recently held in Lanzhou put forward some specific measures to increase income and retrench expenditure and to ensure a financial balance this year.

The meeting pointed out: The financial situation in our province has gradually improved in recent years, but difficulties and problems still exist. In 1982, the provincial financial income accounted for merely 23 percent of total provincial income, and this figure was lower than the national average level. However, profits retained by enterprises and extrabudgetary funds in the hands of enterprises increased by a fairly big margin. The phenomena of high costs, enormous waste, and heavy losses incurred by enterprises remain at a serious degree. The foundation of enterprises at county and prefectural levels is still weak. The finances of most counties still rely on the subsidies granted by the higher authorities. All this must be rapidly changed.

The concrete measures for increasing income and retrenching expenditure included: Resolutely implementing the central authorities' major policy for concentrating funds to ensure state key construction; further advancing the work of substituting tax payment for profit delivery, which has been started in 88 percent of the enterprises in this province, trying to solve remaining problems in this work and ensuring that the state can achieve the greatest share of profits; strengthening tax-collection work and forbidding all units and individuals to reduce and delay the payment of due taxes; consolidating financial work in enterprises so as to promote the achievement of better economic results, training financial personnel assigned to work in enterprises; making great efforts to reduce losses and increase profits; helping the development of enterprises at county and prefectural levels and enhancing the financial capacity of counties and prefectures; strictly controlling expenditures, requiring administrative units to economize on their funds; and carrying out an overall financial and taxation inspection throughout the province, seriously dealing with cases concerning the violation of financial discipline.

Those attending the meeting studied and discussed central leading comrades' important instructions in our province's work. The meeting called on all financial and tax cadres to realize the significance of growing trees and grass, actively raise funds for effecting this major strategic transition, make good use of various agricultural funds, readjust distribution proportions, and appropriately increase investment in growing trees and grass so as to achieve better economic results.

CSO: 4006/19



## FINANCE AND BANKING

### BRIEFS

QINGHAI BANK SAVINGS--People's banks at all levels in the province have fulfilled the 1983 quota for urban savings 100-odd days ahead of schedule, with a total savings amount of 41.84 million yuan. [Summary] [HK030958 Xining Qinghai Provincial Service in Mandarin 1100 GMT 23 Sep 83 HK]

HEILONGJIANG FINANCIAL COLLEGE--After being approved by the State Council in February this year, the Harbin Financial College in Heilongjiang--the first school to train specialized financial managerial personnel of the financial departments of the country--held a rally today to celebrate its founding and opening. The 3-year college has urban finance, rural finance, and bank management departments. A total of 156 students from Liaoning, Jilin and Heilongjiang have enrolled in the college. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 15 Sep 83 SK]

CSO: 4006/19

## INDUSTRY

### NEI MONGGOL QUALITY CONTROL AWARDS MEETING HELD

SK020204 Hohhet Nei Monggol Regional Service in Mandarin 1100 GMT 30 Sep 83

[Excerpts] The regional quality month awards meeting was held in Hohhot on the morning of 30 September. Leading comrades of the regional people's government awarded certificates of merit, certificates, and bonuses to the units whose products won the 1983 state quality prizes, to the units named as the national excellent quality control groups, to the units whose products were appraised as the 1983 regional quality products, to the units named as the regional excellent quality control groups, and to the plant directors who published their achievements in quality control.

Attending the meeting were Li Zuohui, vice chairman of the region; Zhang Pengtu and Li Binsan, veteran comrades who have worked in the region for a long time; and responsible persons of relevant departments, commissions and offices.

Comrade Liu Zuohui spoke at the meeting. He said: A major reason why many of our products remain unchanged for 20 or 30 years is a lack of long-term plans while drifting along. As a result, such products are always backward. To change this situation, we should formulate plans and put forward definite strategic goals. So far as the region is concerned, we should make a plan that within the next 5 years, one half of our major products should be named as first-quality or fine-quality products and enter the national advanced ranks of similar trades and one quarter of our major products of key enterprises should reach the advanced international and domestic levels.

CSO: 4006/19

## DOMESTIC TRADE

### CONTROL OF SMALL COMMODITY PRICING LOOSENED

Taiyuan SHANXI RIBAO in Chinese 29 Jun 83 p 2

[Article by Su Fuheng (5685 1381 0077): "Loosen Restraints on Management Authority Over Small Commodity Prices"]

[Text] Gradually loosening restraints on management authority over small commodity prices is an important element of commodity price reform. This is an important measure, using the law of value and the law of supply and demand, under the guidance of the state plan, to improve the role of market adjustment, hasten the development of small commodity production, stimulate small commodity management and satisfy the needs of the people.

According to state regulations, since July 1981, with the permission of the provincial people's government, our province has, in two successive stages, decentralized control of pricing for 318 products of the three industries, covering products in the 8 categories of minor general merchandise, stationery, sewn cotton goods, hardware supplies, communication electronic goods, miscellaneous daily consumer goods, foodstuffs and small agricultural tools. We have carried out industrial-commercial consultations to set prices and let enterprises autonomously set prices, and have drawn up concrete methods of implementation. In view of the situation after more than a year of carrying this out, the results have been good. The prices of many varieties of goods are stable, with some experiencing price rises or declines, most declining amidst stability and declines being greater than rises. Experience has proven that after small commodity prices undergo market adjustment, enterprises having pricing authority have gained vitality; the quality of production management is linked to the economic interests of the enterprise and the workers, and the pressure of competition has the effect of spurring a decline in production costs and management expenditures, a reduction in management links, an increase in product variety, an expansion in production volume, an increase in quality, a shift from losses to profits, an increase in market supply and the achievement of small profit but quick turnover, seeing to it that certain small commodities that were of poor quality and were taken off line were able to reappear in the marketplace. There has been a great turnaround in the former market conditions of "having shoes but no laces, pots but no lids, lamps but no shades and bottles but no caps." Since small commodity prices were relaxed, production enterprises, management departments and many consumers have all been more satisfied.

The Fenyang County Plastic Manufactures Factory is a collectively owned enterprise with 71 workers. Prior to 1979, it produced batteries, but because the market was not good, in 1980 they switched to manufacturing plastic products. At that time, because price management was too unified and was managed too tightly, the enterprise ran a deficit for 2 years. In October 1981, after implementing industrial and commercial negotiated price setting or autonomous enterprise price setting, it gained vitality along with the increased pressure spurring the development of production and improving economic results. Comparing the periods before and after the loosening of prices, the variety of products expanded from an original of 12 to 36, a tripling, with comparable product prices declining an average of 23.7 percent, and results have been good in the areas of raising labor productivity, reducing production costs and improving enterprise management.

The Chunhua Plexiglass Products Plant in the city of Changzhi is a small specialized plant which primarily uses plexiglass to produce small decorative lamps and furniture accessories. Since 1981, based on the market developments of the different products and in line with the principle of small profits and quick turnover, they developed their production and achieved very good economic results. Comparing 1982 to 1980, the variety of products increased from 13 to 47, price levels dropped 5 percent, production costs fell 2 percent, the turnaround period for funds shrank from 55 days to 30 days, the value of output increased 35 percent, the profit rate rose from 6 percent to 11 percent and total profits increased 20.8 percent.

Practice has proved that gradually loosening controls on small product prices in a planned way is an important measure for spurring on small product production, stimulating the economy, invigorating the market, and meeting the needs of the broad consumers, but the development of this work throughout the province has not proceeded in a balanced way, with some areas having not yet loosened controls or having loosened them to no effect. These areas should establish concrete measures and methods, in accordance with the spirit of the notification of the provincial people's government and related stipulations, to enliven further small commodity production and circulation, just as Fenyang and the city of Changzhi have done.

9705

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## DOMESTIC TRADE

### COMMODITY CIRCULATION, ECONOMIC RESULTS DISCUSSED

Yinchuan NINGXIA RIBAO in Chinese 2 Jul 83 p 3

[Article by Ou Yuan [3371 3293]: "Circulation and Results"]

[Text] The function of commerce is to organize commodity exchange, enable products to swiftly move from the realm of production to the realm of circulation and into the realm of consumption, realize the use value and value of commodities and speed up the progress of social reproduction. Thus, how fast or how slow commodity circulation takes, how much or how little capital is used without repayment, and how large or how small the cost of consumption is, all will directly affect the economic results.

A problem in the realm of circulation in our region is that the scope of increase of the commodities that are procured and transferred in has exceeded the scope of increase of the commodities that are sold and transferred out. As a result, stockpiling has increased and capital used without repayment is high. This is because our region is situated at the border area where communications are inconvenient. As a result, we need an appropriate amount of reserves. Especially with the increase of the people's purchasing power, the volume of reserves correspondingly expands. This is necessary. Yet, on the other hand, this reflects the imperfection in enterprise business management in the realm of circulation in our region, which caused the expenses in the sales of 100 yuan commodities in 1981 to be 2.3 percent higher than in the entire country, the profit and tax rates of the circulating funds to be 27 percent lower than in the entire country, and the turnover of circulating funds to be 40 days slower than in the entire country. That is to say, under the same conditions, the capital used without repayment by our region was one-fifth more than the average level throughout the country. Consequently, our economic results were relatively poor.

How can we speed up commodity circulation, lower the cost of circulation and hence raise our social economic results? I feel that we must pay attention to emphasizing the following aspects:

First, we must bring in products diligently and sell them rapidly. This is determined by the characteristics of commodity production at present. Currently,

an important characteristic of commodity production is the great number of varieties and the great changes in the design and color, style and pattern. Thus, products are replaced rapidly. Under such a circumstance, we should increase the varieties and expand the procurement and sales to meet the needs of the consumers. At the same time, we must prevent too much stockpiling and dull and abandoned commodities. Besides strengthening our investigation and study, we should bring in products diligently and sell them rapidly and organize the activities of commodity circulation in accordance with consumer demand. In particular, we must make thorough arrangements with regard to seasonal commodities. We must not only be ahead of the season, but also must not be too far ahead in bringing in goods, which may result in their "laying idle for half a year." This is because the speed of commodity circulation is inversely proportional to the amount of capital needed by the commercial enterprises. The speeding up of commodity circulation and the expansion of the amount of procurement and sales of commodities can reduce such expenses as storage and maintenance for commercial enterprises, can use up less circulating funds without repayment and can reduce interest payments.

Second, we must rationally organize the transportation of commodities. The cost of transportation accounts for a very large proportion of the circulation cost. Thus, in organizing the transportation of commodities, we must choose the rational transportation routes, the appropriate transportation tools, eliminate commodity countercirculation and circuitous transportation, strive for a shorter length of time, a shorter route and lower cost in order to transport goods safely and economically to the destinations.

Third, we must reduce unnecessary circulating links. The links of commodity circulation in our region are relatively numerous. This inevitably delays circulating time and increases circulation cost. Only by reforming the commercial system of organization can we realize a situation of many channels and few links.

Fourth, we must lower circulation cost. The level of circulation cost of our region's commerce has still not been restored to the best level in history and we have great potentials for lowering the level of cost. In particular, in light of the present irrational commodity stock structure, the problematic commodities are continuing to increase. After we have implemented the replenishing of our stock through many channels and shattering blockages, some basic-level enterprises lacked planning in replenishing their stock and failed to pay attention to the rational direction of flow of commodities. As a result, they caused commodities to be transported back to their place of origin, thereby continuing to increase their incidental transportation cost and extra traveling cost. This is the main thrust in further lowering circulation cost. At the same time, we must also pay attention to making careful calculation and strict budgeting to economize packaging cost, administrative cost, commodity wastage and other variable costs. If the commercial units in the entire society reduce 0.5 yuan of expenses in the sales of every 100 yuan of commodities, then the entire region can increase its economic results by 5.5 million yuan in 1 year.

Fifth, we must utilize the strength of the collective and individual commerce, give full play to their strong points of "easy steering because the boat is small," being flexible, being able to go from street to alley, "having long legs and diligent footsteps" and offering convenience to the masses, and let them do business in the daily consumer items that are needed by the masses and a portion of the means of production. Through them, we can speed up commodity circulation, supplement state-run commerce, satisfy society's needs, expand the sources of taxation and increase the income of the individual, thereby increasing social results. At present, the proportion of their business is less than 9 percent of the total in our region. We must support them and promote their development.

Of course, in the course of speeding up commodity circulation, it is imperative to organize some industrial departments to sell a portion of their products. This way, we not only can enable production to meet sales face to face, which will conveniently improve product series and raise product quality, but also can speed up commodity circulation and increase the profits of the enterprise.

9335

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## FOREIGN TRADE

### TIANJIN MEETING TO DISCUSS INTERNATIONAL TRADE

OW300830 Beijing XINHUA in English 0742 GMT 30 Sep 83

[Text] Tianjin, 30 Sep (XINHUA)--Tianjin, a major industrial city in north China, will for the first time sponsor an international trade and investment meeting with a foreign firm in October.

The meeting, scheduled to be held from October 9 to 15, will be sponsored jointly by the Tianjin branch of the China Council for the Promotion of International Trade and the ACS Management and Consultancy Company of Singapore.

Discussions and negotiations will be held on economic and technical cooperation between Tianjin and foreign companies and on imports and exports.

To date 40 overseas industrialists, business people and bankers have promised to attend the meeting. They will come from Britain, Indonesia, the Netherlands, France, Singapore, Japan, Denmark, Italy, Australia, the United States and Hong Kong.

Tianjin's foreign trade departments, bank and insurance company will brief participants on the development of the city's foreign economic relation and trade, and their respective areas of business.

CSO: 4020/8



## FOREIGN TRADE

### POLYESTER FILAMENT MILL OPENS IN GUANGDONG

OW281745 Beijing XINHUA in English 1516 GMT 28 Sep 83

[Text] Guangzhou, 28 Sep (XINHUA)--A polyester filament mill using equipment imported from Britain and the Federal Republic of Germany went into operation yesterday in Xinhui County, Guangdong Province.

The mill, designed to produce 5,000 tons annually, was built under a compensation trade contract between the Xinhui County Government and the Wing Son Company of Hong Kong.

Under the contract, the county invested 17.5 million yuan (about 8.75 million U.S. dollars) in purchasing equipment made in China and constructing workshop buildings. The Hong Kong company invested 19.52 million deutsche marks in imported equipment.

The mill will sell 70 percent of its products in China. Thirty percent of its capacity will be used to process materials supplied by foreign firms. Its earnings on processing will be used to compensate the Hong Kong firm for its investment.

It will record an annual output value of 80 to 100 million yuan and turn over 20 million yuan in profits and taxes to the state. Its investment is expected to be recovered in three years.

Construction of the project began in December 1981 and was completed in 16 months.

CSO: 4020/8

## FOREIGN TRADE

### BRIEFS

AUSTRALIA-PRC TRADE PROMOTION--Canberra, 28 Sep (XINHUA)--A campaign, "action plan for China program," has been launched by the Australian Department of Trade. Opening a seminar on trade and investment opportunities in China yesterday in Perth, deputy prime minister and minister for trade, Lionel Bowen, said that reforms within his department have been made for promoting trade with China. Bowen said, in order to ensure the success of the program, he has "doubled the number of people in the department working on China; introduced a completely separate China section; arranged for specific officers to be available to deal with Chinese matters in regional offices, including Perth; introduced a special fund to support this major program." The Australian deputy prime minister said that commissioners stationed in China would be making "regular visits to Australia to explain marketing opportunities as they develop." [Text] [OW281740 Beijing XINHUA in English 1605 GMT 28 Sep 83]

LIAONING, U.S. SILK PLANT--Dalian, 23 Sep (XINHUA)- The Liaoning branch of the China Silk Corporation and S. Shamash and Sons Inc. of the U.S. have reached an agreement to jointly set up a tussah silk dyeing and finishing plant in Haicheng, a small city in southern Liaoning Province. Liaoning is one of China's major tussah silk producers, producing about 80 percent of the country's tussah silk. S. Shamash and Sons Inc. has been a trading partner of the Liaoning silk company for the past twenty years. According to the agreement, the U.S. firm will provide advanced dyeing and finishing equipment valued at 500,000 U.S. dollars and Liaoning Province will provide factory buildings, workers and management. The product will be sold in China as well as abroad. S. Shamash and Sons will be the exclusive sales agent in the U.S. The plant is designed to have an annual capacity of 600,000 yards. [Text] [OW230849 Beijing XINHUA in English 0825 GMT 23 Sep 83]

HUBEI FOREIGN CAPITAL MEETING--The provincial meeting on the utilization of foreign capital ended on 15 September. The meeting earnestly communicated the instructions by the CPC Central Committee and the State Council on strengthening the work of utilizing foreign capital. The meeting held that it is necessary to further emancipate the people's mind, take flexible policies, expand economic and technological cooperation with foreign countries, and utilize foreign capital to speed up construction of the state's priority projects and revitalize the province's economy. Provincial Vice Governors Tian Ying and Guo Zhenqian attended the meeting and delivered speeches. The meeting reviewed the achievements made by the province in foreign trade. In the first 8 months of this year, businessmen from some 21 countries and regions have come to the province to discuss economic and technological cooperation. The province has signed contracts with them on 48 items. The meeting demanded that foreign capital should be used mainly on priority projects and items of technological innovation. [Summary] [HK301120 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 15 Sep 83 HK]

FUJIAN BONDS IN JAPAN--At the end of August this year, the Fujian Investment Enterprise Corporation issued 5 billion yen (U.S.\$20.27 million) of bonds in Japan. The bonds, with an interest rate of 8.5 percent, will mature in 10 years. As soon as they were issued, they were bought by 37 Japanese banks. [Summary] [OW270635 Fuzhou FUJIAN RIBAO in Chinese 7 Sep 83 p 1 OW]

CSO: 4006/19

TAIWAN

BRIEFS

JAPANESE HOT COIL STEEL--Tokyo, 29 Sep (CNA)--Nippon Metallurgy Corporation said today it will export 9,000 metric tons of hot coil steel to Tang Eng Iron Works of the Republic of China. One of Japan's largest stainless steel makers, Nippon Metallurgy will sell the hot coil steel for Y2.5 billion (\$10.42 million), a spokesman said. The sale accounted for five percent of Nippon Metallurgy's annual production, he added. The Chinese stainless steel manufacturer awarded three international bids for 17,500 metric tons of hot coil steel, the Nippon Metallurgy spokesman said. Aside from Nippon Metallurgy, he said, Finland will supply 6,000 tons and Sweden 1,500 tons. [Excerpts] [OW291415 Taipei CNA in English 0956 GMT 29 Sep 83 OW]

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